

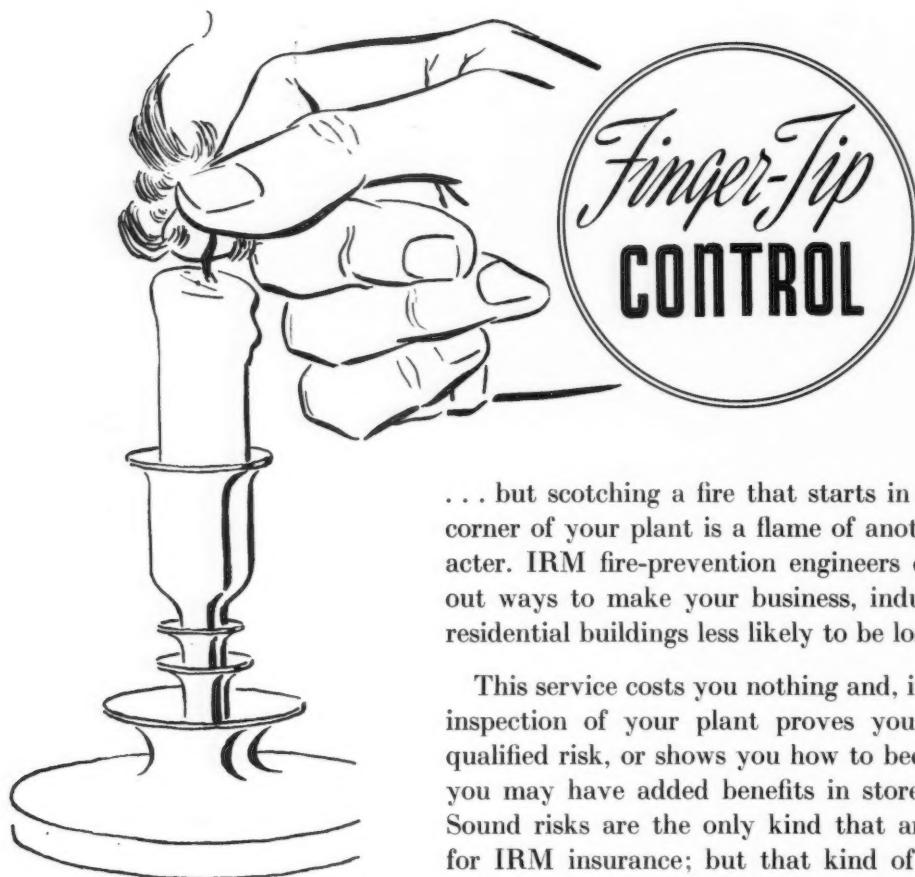
BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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AUGUST, 1940

PEOPLE YOU KNOW . . . WASHINGTON . . . COMMERCIAL CREDITS . . . REAL
ESTATE LOANS . . . INSURANCE FOR BORROWERS . . . SAVINGS DEPARTMENT
FORMS . . . LEGAL ANSWERS . . . TAXATION . . . BANK METHODS . . . BOOKLETS



... but scotching a fire that starts in a remote corner of your plant is a flame of another character. IRM fire-prevention engineers can point out ways to make your business, industrial, or residential buildings less likely to be lost by fire.

This service costs you nothing and, if an IRM inspection of your plant proves you to be a qualified risk, or shows you how to become one, you may have added benefits in store for you. Sound risks are the only kind that are eligible for IRM insurance; but that kind of foresight reduces the number of fire losses and has enabled IRM to return 25% of the annual premiums to policyholders every year since the IRM group was organized.

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A nation-wide organization of old established, standard reserve companies writing the following types of insurance: Fire • Sprinkler Leckage • Use and Occupancy • Tornado and Windstorm • Earthquake • Rents • Commissions and Profits • Riot and Civil Commotion • Inland Marine

Atlanta
1940

Aug

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JUST A MINUTE



Atlantic City, New Jersey, is the scene of the 1940 Convention of the American Bankers Association

August

WITH BLITZKRIEG, DEFENSE and politics to divert attention from the progress of the calendar, Mid-Summer seems to have arrived with undue haste.

August's approach this year was obscured—to us, at least—by the swift advance of violent change across wide areas of civilization. The newspaper and the radio claimed the two senses we normally employ in watching the year prepare for its maturity; hence the season catches us unawares, unrelaxed, and in a "What next?" frame of mind.

Many of us will answer that question his month by taking a vacation.

And we shall play hard, for there's hard work ahead.

September

GETTING PERSONAL for a couple of paragraphs, BANKING's reply to the "What next?" query is:

"Yearbook."

That is, our annual summary and survey of things important to banks and

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BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

Statement of Condition, June 29, 1940

RESOURCES

CASH AND DUE FROM BANKS	\$1,467,007,452.80
U. S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED	1,039,030,754.02
STATE AND MUNICIPAL SECURITIES	127,895,549.51
STOCK OF FEDERAL RESERVE BANK	6,016,200.00
OTHER SECURITIES	151,938,094.22
LOANS, DISCOUNTS AND BANKERS' ACCEPTANCES	607,858,800.76
BANKING HOUSES	32,773,713.63
OTHER REAL ESTATE	8,126,541.88
MORTGAGES	10,677,143.08
CUSTOMERS' ACCEPTANCE LIABILITY	11,944,699.23
OTHER ASSETS	9,510,536.59
	<u><u>\$3,472,779,485.72</u></u>

LIABILITIES

CAPITAL FUNDS:

CAPITAL STOCK	\$100,270,000.00
SURPLUS	100,270,000.00
UNDIVIDED PROFITS	<u>33,820,953.64</u>
	\$ 234,360,953.64
DIVIDEND PAYABLE AUGUST 1, 1940	5,180,000.00
RESERVE FOR CONTINGENCIES	14,507,676.95
RESERVE FOR TAXES, INTEREST, ETC.	2,214,575.31
DEPOSITS	3,190,822,926.19
ACCEPTANCES OUTSTANDING	13,488,305.37
LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS	1,004,017.12
OTHER LIABILITIES	<u>11,201,031.14</u>
	<u><u>\$3,472,779,485.72</u></u>

United States Government and other securities carried at \$141,972,500 are pledged to secure public and trust deposits and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation



The South Carolina National Bank in Charleston occupies a building that has housed a banking business for nearly a century and a quarter

JUST A MINUTE—Continued

bankers is published as the September number of the magazine. This one, we may say (with some pointing in pride), looks particularly attractive. And that isn't sales talk either.

There'll be pictures and text on the year and the outlook, a complete revision of our widely known government lending agencies survey, plenty of material on bank services and bank problems, an interesting account in word and picture of plans for the September Convention of the American Bankers Association at Atlantic City, and so forth.

Preparedness

REVERTING TO THE present number, we would call attention to Mr. Atwoods's "Financial Statesmanship" and the letter sent by ROBERT M. HANES, President of the American Bankers Association, to the membership regarding the financing of national defense.

Mr. Atwood goes into the question of industrial mobilization which of course concerns banks as well as manufacturing establishments. Mr. HANES' letter, among other things, urges the banks to "try in every possible way to make every loan that has anything to do with the defense program."

Another angle to preparedness is Mr. ADAMS' discussion of bank investments in relation to the problems of these and future times. He gives some practical suggestions.

Reprint Coming

The bank insurance series by Messrs. EBERLE and ERVIN ends this month. All the articles are to be reprinted soon in pamphlet form. This, we hope, will be a useful publication; we know that the articles have been carefully read. Many have written to ask when they would be available as a booklet.

The answer is: Probably in September.

An Old Bank

THE SOUTH CAROLINA National Bank, formerly the Bank of Charleston, enjoys the distinction of being not only an old institution, but of occupying a building that has housed a bank for 123 years.

The structure's first tenant was the Charleston branch of the Second Bank of the United States, known locally as the "Office of Discount and Deposit", which occupied it until 1834 when the Bank of Charleston was chartered and acquired the Office's assets, including the building.

"The brick and masonry exterior of the building never has been changed," said the Charleston *News & Currier* in a story about the bank. "The tiles now in use in the lobby of the South Carolina National Bank are the original Minton tiles brought from England and laid in the building upon its erection. The architect of the building is not known, though it has been credited to Robert Mills. It was built in 1817."

A group of Charlestonians in 1834
(CONTINUED ON PAGE 5)

SPECIALISTS IN

UNITED STATES GOVERNMENT SECURITIES

GUARANTEED ISSUES
FEDERAL LAND BANK
OTHER AGENCY ISSUES
TERRITORIAL AND
MUNICIPAL BONDS

C. J. DEVINE & CO.

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48 WALL STREET, NEW YORK
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PUBLIC
ACCOUNTANTS

NEW YORK
CHICAGO
WASHINGTON

Now **ONE** Insurance policy covers **MANY** Liability Hazards

AMERICAN SURETY COMPANY and its affiliate, New York Casualty Company, now write a *single* insurance policy that covers many related liability hazards. The SCHEDULE LIABILITY POLICY—as it is called—protects against loss you may incur by being liable for bodily injury and property damage *caused by accident*. The types of liability are shown at the right.

Formerly this protection had to be obtained in many policies and policy endorsements. Now the SCHEDULE POLICY—*Today's Way of insuring liability caused by accident*—is a remarkable stride toward simplicity. It combines broader protection with greater service to policyholders. And the premium is no more than if you were to procure each coverage by the old method in separate contracts.

If you own or manage property . . . if you run a business . . . or if you are an advisor to people who do—ask our local agent, or your broker, about the SCHEDULE LIABILITY POLICY. He will give you further particulars about *Today's Way* of rounding up, in one contract, loose ends of liability exposure due to accident.

TODAY'S WAY
COVERS MANY PHASES
OF ACCIDENT-LIABILITY

PREMISES-OPERATIONS



ELEVATOR



PRODUCTS



TEAMS



CONTRACTUAL



INDEPENDENT CONTRACTORS



**AMERICAN SURETY COMPANY
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HOME OFFICES: 100 Broadway, New York

Both Companies write fidelity, forgery and surety bonds and casualty insurance.

COMMERCIAL INVESTMENT TRUST INCORPORATED



COMMERCIAL INVESTMENT TRUST Incorporated, with capital and surplus in excess of \$56,000,000, provides a nation-wide sales finance service through subsidiary companies with a network of branch offices throughout the United States. This service, in the main, consists of purchasing self-liquidating accounts, and extends to automobile dealers, household appliance dealers, and to manufacturers and dealers in many lines of industrial, commercial and professional equipment, including the heavy goods industries.

C. I. T. offers its standard notes for short term accommodation in varying amounts from \$1,000 to \$100,000, in maturities from 60 to 270 days and at current discount rates. These notes are payable at any of our 285 depositary banks located in principal cities throughout the country.

Latest published financial statement and list of depositary banks will be mailed upon request.

ADDRESS
Treasurer,
Commercial Investment
Trust Incorporated
1 Park Ave., New York, N. Y.

JUST A MINUTE—Continued

realized that the Bank of the United States would soon find itself without a charter, and organized the Bank of Charleston to meet the community's needs. The new institution was chartered December 17, 1834, and opened for business in 1835. Its stock was heavily oversubscribed. Said the *Charleston Courier* of June 3, 1835:

Subscriptions to the New Bank.—The subscribers to the new Bank of Charleston at the final closing of the books, by the Commissioners in this city, yesterday at 2 o'clock P.M., had reached the enormous amount of \$81,180,800, being more than forty times the contemplated capital of the institution. . .

The bank received a Federal charter in 1872 and took the name Bank of Charleston, National Banking Association. In 1926, when a statewide system was established, the institution assumed its present name, although still operating under the charter of the Bank of Charleston.

Bank Stock, 1790

MENTIONING the Second Bank of the United States reminds us of an interesting letter we came across recently in the shop of a dealer in autographs and rare books.

It was written in 1790 by THOMAS WILLING, president of the First Bank of the United States, and it suggested that Mr. WILLING's friend put some available funds into stock of the bank. A few shares were at hand.

Mr. WILLING wrote at Philadelphia. The upper right hand corner of the letter merely bears the notation "The Bank", with the date.

"Shame on you! Why don't you pick on a bank your size?"



TELL ME MORE ABOUT PRINTING MY NAME ON MY CHECKS

The small easel-card which attracted the attention of this bank customer gave him this message:

To be assured that the merchant will properly credit your account.

To save the trouble of writing your address when you have occasion to cash checks in establishments where you may not be well known.

To provide additional means of identification. To more easily file and refer to your cancelled checks because they are all numbered.

Easel cards like this is one of several things De Luxe supplies banks wishing to push the idea of Personalized Checks with its customers. Another bit of co-operation is attractive enclosures to mail out with your end-of-month statements. The enclosures and the easel cards make an effective tie-up. When a customer attracted by the message on the display card asks for further information, the sale is half made.

Under the De Luxe Group Purchase Plan, savings up to 45% on Personalized Checks can be made by ordering for 5 or more. 200 checks complete — numbered and imprinted — for as little as \$1.00.

Folder No. 13 explains the plan. Write for it.

De Luxe
CHECK PRINTERS
Lithographers and Printers

Plants at
NEW YORK CLEVELAND CHICAGO
KANSAS CITY ST. PAUL

WHEN your customers are in need of special or unusual service, such as

Quick returns upon doubtful items;

Close and reliable credit information;

Investment counsel;

call upon this Bank.

Long years of experience in dealing with these and similar banking problems enable us to give you prompt and dependable service.

... THE ...

PHILADELPHIA NATIONAL BANK

ORGANIZED 1803

PHILADELPHIA, PA.

Capital, Surplus and Undivided Profits

\$43,000,000

Member of Federal Deposit Insurance Corporation

Thank You

WE ALWAYS FEEL honored when we print something that someone else thinks is worth reprinting.

This time it's those whiskered bank jokes of T. D. MACGREGOR.

The Madison-Crawford Bank of Chicago thought they would grace its monthly customer magazine "Over the President's Desk"—and there they are, occupying Page Three of that sprightly magazine's July issue.

HOW TO KID



YOUR BANKER

Compiled by T. D. MacGregor in "BANKING"

A MAN TRIED to borrow 50 cents from the proprietor of a newsstand in front of a bank building. "No, I can't lend you any money," said the newsman. "But, see, I have an agreement with the bank whereby they won't sell any papers if I don't make any loans."

A WOMAN DEPOSITOR who was a regular customer at the bank account was overheard said: "I don't see now that can be because I have only one or two blank checks left in my checkbook."

WHEN THE teller insisted that the young woman write an endorsement before getting a check cashed, she went over to the check counter and returned shortly, presenting the check to the teller and saying, "There it is. I like this bank all right, but I think the teller is rather fresh."

"WHERE'S THE Second National Bank?" asked the stranger. "I can't tell you," replied the native. "I don't know where the First National Bank is."

A COLORED MAN who had left some money with a friend was satisfied when he was told: "You ain't got no money here now. The intrus done et it up."

MARK TWAIN is supposed to have said there are only 10 original jokes, all the others being mere variations of one or more of them. Mr. MacGregor has gathered a number of these "standard" bank jokes, which we send you in this issue.

A FORMER BANK loan officer upon his retirement invested in an automobile service station. He decided to inaugurate the service in personal manner. One day he drove up and asked for ten gallons of gas, the ex-banker said, "Can't you get along with five gallons?"

"FROM MY experience and observation," said the banker, "I have come to the conclusion that what the American business needs most today is more orders from customers and fewer from other people."

TELLER: "YOU haven't dotted the 'Y' in this endorsement." Customer: "Well, what do it?" Teller: "I can't. It has to be in the same handwriting."

A BANK AUDITOR was working long overtime on a complicated report involving much figuring. "I wish I had a rabbit to sight," he said. "I never see one." Because I understand that rabbits multiply very rapidly."

"I ALMOST WISH my husband hadn't died," said the new widow. "The bank won't give me any money until the estate is settled."

Incidentally, this little publication has a special mailing list of nearly 500 individuals who have asked President GOLIGHTLY for a copy each month. The usual distribution is via monthly statements, counter racks, and friendly business firms.

Stamps

SKIP THIS ONE if you're not a philatelist.

It seems that the Stamp Society of the Chase National Bank, New York, corralled Tim Healy and Harry Lindquist for a recent meeting, and was so eager to have its good fortune shared that it invited the stamp clubs of the Bankers Trust Company, Guaranty Trust Company, Manufacturers Trust Company, and National City Bank to come and hear these two experts.

Of course it was a big meeting—in fact, the third get-together of the banks' philatelists. They're planning similar gatherings for next Fall and Winter.

Attention, Jokesters

HERE'S ONE THAT escaped our well-known Jokes Contest.

(CONTINUED ON PAGE 8)

"Unforeseen events... need not change and shape the course of man's affairs"

June ACCIDENT RECORD 1940

2 years
3 months
10 days } since last accident RED LIGHT INDICATES LOST TIME
GREEN LIGHTS INDICATE

last accident
FEB. 21, 1938

FROM APRIL

GROUP LEADERS	DAYS SINCE LAST ACCIDENT	NO OF ACCIDENTS TOTAL TO DATE	DAYS LOST DUE TO ACCIDENTS	GROUP
E. AMREIN	1150	0	0	C
M. BLASI	1150	0	0	C
J. COMBS	1150	0	0	F
E. DONOHUE	1150	0	0	F

DAYS SINCE LAST ACCIDENT	NO OF ACCIDENTS DAY TOTAL TO DATE
1150	0
1150	0
1150	0
1150	0

HOW MUCH IS A LIFE WORTH?

It has frequently been charged that business is callous, and grasping, and greedy... that it is devoid of human feeling.

The most sweeping refutation of that charge is the amazing record for *safety* which American business and industry have achieved. For nowhere in the world is the worker better protected against industrial hazards than in these United States of America.

For years, leaders of industry have cooperated with casualty companies such as The Maryland in furthering *safety*

engineering. Today, Maryland safety engineers cover industries everywhere... inspecting, recommending, and guarding against hazards to the employee.

As a result, the efficiency of industry is higher, the cost of insurance is *lower*... and employment for the wage-earner is more continuous. The Maryland is proud to have played a part in reducing the industrial accident toll of today to *less than half* what it was in 1917. Maryland Casualty Company, Baltimore.

THE MARYLAND

The Maryland writes more than 60 forms of Casualty Insurance and Surety Bonds. Over 10,000 Maryland Casualty agents and brokers can help you obtain protection against unforeseen events in business, industry and the home.

GMAC

GENERAL MOTORS ACCEPTANCE CORPORATION

is engaged primarily in facilitating wholesale distribution and retail sales of the following products of General Motors Corporation and its world-wide affiliates: CADILLAC, LA SALLE, BUICK, OLDSMOBILE, PONTIAC, CHEVROLETautomobiles; FRIGIDAIRE appliances for refrigeration and air conditioning; DELCO lighting, power and heating equipment; GMC trucks; BEDFORD, VAUXHALL and other

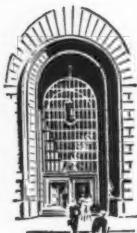
GENERAL
MOTORS
INSTALMENT
PLAN

foreign made automotive vehicles. The business consists of investments in self-liquidating credits, widely diversified as to region and enterprise, capital employed being in excess of \$80,000,000.

In obtaining short term accommodation, GMAC issues one standard form of note. This obligation it offers to banks and institutions, in convenient maturities and denominations at current discount rates.

These NOTES are available, in limited amounts, upon request.

EXECUTIVE OFFICE NEW YORK • BRANCHES IN PRINCIPAL CITIES



FOREIGN BANKING SERVICE *in 29 Countries*

THROUGH an extensive branch banking system in Canada, Latin America and Overseas, The Royal Bank provides the banking service your customers need to promote export and import trade. The staff of each branch is thoroughly familiar with foreign exchange restrictions, tariff laws and trading customs of the territory it serves. Enquiries invited.

THE ROYAL BANK OF CANADA

Resources over \$950,000,000

Head Office, MONTREAL

• New York Agency, 68 WILLIAM STREET

More than 600 branches throughout Canada

JUST A MINUTE—Continued

LEN BRUMBAUGH, interviewer in the instalment loan department of the Valley National Bank, Phoenix, Arizona, tells of a recent customer, an old gentleman with mutton chop whiskers and a cane, who strolled into his office, saying, "I want to borrow \$200 and pay it back at \$30 per month."

"I am suing the city of Phoenix for \$20,000 and a California city for \$100,000," he added.

LEN said: "We are unable to loan on the strength of your prospective suits, but might consider the loan on another basis—what is your certain income?"

"Thirty dollars a month," the man replied.

A bit nonplussed, the interviewer asked, "How can you pay \$30 when this is all the income you have?"

"Well, \$30 is enough to pay \$30, isn't it?" was the answer.

"Yes, but on what do you plan to live while paying this \$30 per month, asked Mr. BRUMBAUGH.

"That's what I am getting the \$200 for."

Taxes

FROM JOKES TO taxes is neither a natural nor an easy transition, but we make it at this point to call attention to Donald Horne's article on the Revenue Act of 1940.

Mr. Horne, a specialist in tax law, takes up the new statute in some detail, and his article, it would seem, will bear more than casual reading.

(CONTINUED ON PAGE 10)

When Arthur Mueller, vice-president of the Trust Company of New Jersey, finished his course at The Graduate School of Banking as a member of the Class of 1940, the bank's president, Joseph G. Parr, gave him this cartoon



BANKING

SIMPLE AS

A

REMARKABLE SPEED
without sacrifice of accuracy

B

SIMPLIFIED ROUTINE
and elimination of costly waste motion

C

COMPELLED OPERATING ACCURACY
achieved through the Controlled-Key which positively checks all
imperfect key-strokes . . . also other exclusive accuracy safeguards

COMPTOMETER ECONOMY IN BANKING PROCEDURE

Both in the Proof and Bookkeeping Departments, the Comptometer Bank Proof Unit clears the path to greater economy, in the handling of "bulk figure work."

The savings achieved through use of this Comptometer (designed especially for banking use), and through modern Comptometer methods, are a product of the three primary factors (A, B and C) shown above.

In the Proof Department, the Comptometer proof plan proves deposits at the source, thus eliminating the expense of catching errors in distribution.

In the Bookkeeping Department, this plan proves the accuracy of each *individual* posting . . . spots errors at the *source of error*. It proves that correct accounts were handled; that old balances were picked up accurately; and that individual debits and credits were posted to correct accounts.

May we show you (in your own institution, on your own work) how "Comptometer Economy" applies to your figure-work problems? Telephone your Comptometer office . . . or write direct to FELT & TARRANT MFG. CO., 1711 N. Paulina Street, Chicago, Ill.

COMPTOMETER

BANK
PROOF
UNIT



Bankers!
Preview your
A.B.A. Convention

YOU'RE coming, of course, to Atlantic City in September for your Annual Convention. But why wait? Come to The Traymore this month for a foretaste of the Lido Beach, the garden-like Patio del Sol, entertainment in the Stratosphere Room, and cool, shaded sun decks. Sample the delicious food and deft service of The Traymore. Enjoy the repose of large, quiet rooms and surf bathing from your room. Rates are moderate for The Traymore's advantages.

Cruise Ashore at The
TRAYMORE
on the Boardwalk
ATLANTIC CITY
Bennett E. Tousley, Gen. Mgr.

BANKING

INDEX TO VOLUME 32

The Index to Volume 32 of BANKING, covering the period from July 1939 to June 1940, inclusive, is now available. Copies will be supplied to subscribers upon request.

★ ★ ★

YOUR STAFF and CUSTOMER RELATIONS

In the months directly ahead it is especially important that all banks' staff members be well informed on current banking trends. BANKING's special group subscription plan enables you to supply the official Journal of the American Bankers Association to your entire staff at a reduced subscription price.

Better Customer Relations mean more profits for your bank.

We will welcome the opportunity to send you further details regarding this group subscription plan. Just address your inquiry to:

Circulation Department

BANKING

22 East 40th Street New York, N. Y.

JUST A MINUTE—Continued

House Blight

MR. REED'S EXCELLENT discussion of the too-familiar problem of "run down" districts in our towns and cities not only gives a vivid picture of municipal blight, but offers some definite suggestions as to what can be done about it.

His Sample City is, of course, virtually any city; the conditions you'll find there probably exist in our town as well as yours.

Mr. REED writes with the typewriter

of authority. *Who's Who* gives him three and three quarter inches of space, telling, among other things, that he has been a city manager (San Jose, Cal.), a director of municipal research, a teacher of municipal government and political science at Harvard, Michigan and California, director of the consultant service of the National Municipal League, and that he has written several books.

Don't Forget—

YEARBOOK NEXT MONTH!

Every ten minutes of the day a mail plane or train is leaving or entering Atlanta—fast service for your items. Correspondent service at the Fulton is accurate, fast, interested. Specify the Fulton for Atlanta and Southeast items.



FULTON NATIONAL
ATLANTA *Bank* GEORGIA



"What's an office, anyway?"

Dictaphone's new talking motion picture shows the cause and cure of bottle necks, and explains their effect on personnel.



SALES blamed Shipping. Shipping swore it was the fault of Traffic. Traffic passed the buck to Accounting. Meanwhile the order was lost—and everybody suffered. This is the familiar situation re-created in the new Dictaphone film of office problems and personalities. You'll recognize the characters, the routine difficulties and the explanations given. You'll see how old-fashioned, two-person dictation makes routine unnecessarily difficult, slows up the smooth flow of work and causes needless personal friction.

If you're doubtful about how Dictaphone can help you—not only with your dictation, but also by keeping your entire organization running smoothly—you're invited to see for yourself the new convenience, smoothness and time-saving short cuts Dictaphone provides. You'll have a good time, too!

Seldom has the authentic color of office life been captured with such fidelity. And never, we believe, have personnel relations within a typical group been analyzed and reported so graphically. You'll find it an absorbing study in personnel problems.

Every situation in this picture is real—human—convincing. Be sure that you and all concerned with your office operation see it soon. Clip the coupon—a Dictaphone representative will arrange for a showing. No obligation whatsoever.

I'M FROM MISSOURI.. SHOW ME!

Dictaphone Corporation, 420 Lexington Ave., N. Y. C.

In Canada: Dictaphone Corporation, Ltd., 86 Richmond St., West, Toronto.

You say your Dictaphone movie "What's an Office, Anyway?" will give me a new slant on office work-jams—will help me to prevent them. Okay, but it better be good.

- Have your representative arrange a showing in my office.
- Please arrange a showing for me in your office.

NAME

ADDRESS

B-8





THE INTERNATIONAL PROOF MACHINE *Endorses as it sorts, lists, and proves*

- 1 CHECKS ARE SORTED according to their proper classifications into as many as twenty-four sorting receptacles in the machine.
- 2 CHECKS ARE LISTED on individual adding machine tapes to provide totalled listings for each of the twenty-four classifications.
- 3 CHECKS ARE PROVED by means of a control tape that lists checks in original sequence, indicates classifications, provides a total for each deposit and a grand total for the block.
- 4 CHECKS ARE ENDORSED automatically as they pass through the machine into the sorting receptacles.

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manually. Additional time is saved because a constant proof is maintained. Errors are so localized that the "difference-time" problem is practically eliminated.

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★ WASHINGTON ★

Items of Interest to Banking and Business

THE policy of earmarking certain government revenues for the retirement of national defense bonds was characterized by Michigan's peppy journalist senator as "a sort of South American system". Senator Vandenberg asked Treasury Undersecretary Bell whether such earmarking might not adversely affect the value of some United States bonds.

"I don't think it will," Mr. Bell replied. "These obligations will be issued on the full faith and credit of the United States Government, and will be sold on that basis. In that respect they will be no different from all other public debt issues. I feel the holders will look to the United States Government, and to it only, for their payment."

Secretary Morgenthau, however, announced his intention of issuing the defense notes subject to all Federal taxes including the normal taxes, "so that they will be less advantageous than existing notes outstanding which are fully tax exempt."

"I want to indicate clearly the Treasury's position with respect to repeal of tax exemption affecting interest on all public securities. I am opposed to any action modifying contractual obligations exempting from taxation interest on outstanding Federal securities. The Treasury is in favor of a repeal of those statutes granting exemption of interest on all future public security issues, Federal, State, municipal, and local,

including the obligations to be issued under this act. However, if the tax exemption affecting future state, municipal, and local issues is not repealed at this time, the Treasury wishes to reserve the discretion it now enjoys under the Second Liberty Bond Act, and it will make the interest on the notes to be issued under this act subject to Federal taxes."

New Federal Reserve Index

A NEW INDEX of industrial production is among the offerings expected from the Federal Reserve Board shortly. The research staff has been working for some months on a barometer to take account of important new industries like aviation and chemical plastics. Accordingly a new base period, 1936-39, is being substituted for "1923-25=100" and all the back figures are being recalculated.

The new index, being more heavily weighted with manufactured products, will fluctuate less than the present index, which is heavily weighted with raw materials. For details, watch for the August Federal Reserve *Bulletin*.

Tax Revision, 1941

GENERAL TAX revision next year is regarded as a certainty in Washington. For this year, the main tax task is "excess profits taxation." Because of the necessary slowness in getting defense money spent, no further increase

in the debt limit this year is anticipated and, presumably, no further general taxes will be sought during this session of Congress.

Business and Arms

THE ECONOMIC effects of armament cannot be calculated at this early stage in the game. When a large government order goes out, a whole train of activities is set in motion. Just how much peripheral business rearmament will generate, Washington does not profess to know. But it stands to reason that secondary expenditures must occur before the Government takes delivery on the finished product.

The Debt

NOBODY EXPECTS the public debt to contract anytime in the near future. Yet, technically, the recent \$4,000,000,000 increase in the legal limit to the Federal debt is only temporary. The \$4,000,000,000 is supposed to accommodate the defense expenditures voted in June, and as taxes are collected and the defense notes withdrawn, the public debt is supposed, lung-like, to contract correspondingly.

To which you may respond: "Oh, yeah?"

Excess Reserves

WHILE BANKERS are scratching their heads to find ways to use their abundant assets, baffled Federal Reserve

AT EASE—Candidates Roosevelt and Willkie relax. The picture of the President was taken in the campaign of 1932. Mr. Willkie was photographed while on his recent vacation in Colorado



KEYSTONE



ACME

MANUFACTURERS TRUST COMPANY

Condensed Statement of Condition as at close of business
June 29, 1940

RESOURCES

Cash and Due from Banks	\$250,650,148.86
U. S. Government Securities	306,873,708.79
State and Municipal Bonds	34,442,500.13
Stock of Federal Reserve Bank	2,246,500.00
Other Securities	44,281,191.10
Loans, Bills Purchased and Bankers' Acceptances	203,332,207.21
Mortgages	21,205,261.69
Banking Houses	12,553,189.52
Other Real Estate Equities	3,384,823.22
Customers' Liability for Acceptances	7,768,395.48
Accrued Interest and Other Resources	2,353,418.33
	\$889,091,344.33

LIABILITIES

Preferred Stock	\$ 8,749,520.00
Common Stock	32,998,440.00
Surplus and Undivided Profits	40,151,108.92
Reserves	81,899,068.92
Reserve for Preferred Stock Sinking Fund	4,693,357.09
Common Stock Dividend (Payable July 1, 1940)	21,594.86
Preferred Stock Dividend (Payable July 15, 1940)	824,959.00
Outstanding Acceptances	218,738.00
Liability as Endorser on Acceptances and Foreign Bills	8,649,764.00
Deposits	601,908.86
	792,181,953.60
	\$889,091,344.33

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Common to the extent of \$50 per share and accrued dividends.*

authorities keep wondering how they can ever regain control of the monetary and credit structure. At this writing, excess reserves of the member banks approximate \$7,000,000,000, or about as much as the post-devaluation worth of our entire gold stock in January 1934. One thing that bankers have latterly learned to appreciate is the relationship between the gold inflow and idle reserves.

Mead-Ford Bill

AT THIS writing Senator James M. Mead of New York is hopeful of enactment of his bill to stimulate commercial and industrial loans by Federal Reserve banks "without restriction as to purpose."

"The bill opens up a new field for banks, a safe method of lending on long-term to small business," the Senator said. "Little business is becoming a poor risk and needs legislation. The bill is in the interest of bankers and will rescue this field, which is in danger of being lost."

"Know Your Money"

AMONG TREASURY novelties currently taken home by visitors to Washington is a little book of safety matches bearing on the flap the legend "Know Your Money." On the back in red, white, and blue, is a figure of Uncle Sam with the warning: "Beware of counterfeits, sound your coins, examine your bills. The United States Secret Service, Treasury Department."

Busy

THE CORRIDORS of the ordinarily quiet and luxurious Federal Reserve building in Washington have assumed a very lively appearance since the headquarters of the Knudsen-Stettinius advisory commission have moved in. And the maple-panelled executives' dining rooms on the top floor have become equally busy at lunch time, with seats at a premium.

Capital for Industry

TWO TOPICS receive special emphasis when SEC Chairman Jerome Frank discusses the capital needs of industry. These are tax-exemption for those who make investments that augment capital expansion, and the existing legal provisions which permit the deduction of bond interest (as distinguished from dividends) from gross income in determining taxable net income. Revision of these existing provisions would do much to stimulate investment of risk capital, in Mr. Frank's estimation.

(CONTINUED ON PAGE 16)

"...WE CAN RECOMMEND NATIONALS"

Mr. Hugh E. Powers, Cashier of the Lincoln Bank and Trust Company, Louisville, Ky., is the writer. He says: "At the present time we are using your machines in three of our departments. On January 1, 1933, we installed a National Window-Posting Machine in our Savings Department. This machine gave complete satisfaction in our bank — both from the standpoint of control and from the standpoint of efficient and speedy operations.

"In 1938 the volume of business in our Personal Loan Department had grown to such an extent that it was necessary to speed up the work of the bookkeeper and teller. It was only natural that we should install another National Window-Posting Machine here. Since this installation, our volume has more than doubled. The machine is still carrying the load and the control from the auditor's standpoint has been considerably improved. Another important feature is the neat appearance of the customer's passbook and the bank's ledger sheet.

"Early in June, 1939, we purchased the first National Bookkeeping Machine for our individual ledger department. Since that time, it has given excellent service, and we are well pleased with the results. The bookkeepers who have operated this machine have had no difficulty in acquainting themselves with its features and handling their work in a most satisfactory manner. Based on our experience, we have no hesitancy in recommending either of the above-mentioned machines."

- The local National office will be glad to demonstrate both the National Window-Posting and the National Bookkeeping Machine to you.



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WASHINGTON—Continued

He makes the further suggestion that regional finance companies be established with the help of government funds invested in voteless preferred stock bearing a low dividend rate.

Broader RFC Powers

IT MAY have seemed impossible to broaden the RFC's powers, but that was accomplished in the recent law which enabled the agency to set up corporations to buy and hold strategic materials. Previously the RFC had no such power.

The new law also authorizes the RFC to build plants, a provision added to the law by Congress without RFC request. This provision the RFC has no intention of using, it is authoritatively stated, unless it becomes absolutely necessary.

Stabilization Fund not Needed

THE PRESENT situation is not the sort of emergency that would warrant use of the Treasury's \$2,000,000,000 Stabilization Fund nestegg, Secretary Morgenthau told the Senate Finance Committee.

"I strongly believe and strongly urge," he said, "that the stabilization fund should remain intact until such a time as we may need it. I think it would be a great mistake to touch it, now. . . . I live and learn, and each day the situation changes so radically and one just doesn't know when a situation may arise when we may be very glad that we have got the stabilization fund to use. Both the President's and my policy is not to use it; we couldn't spend it without coming to Congress to get the authority, anyway. I have said before, and I repeat now, that I would not spend it for any purposes without coming to you gentlemen, explaining what I wanted it for and getting your approval either formally or informally."

Theft of Money from Banks

THE BILL to prohibit the receipt, possession, or disposition of money or property feloniously taken from a bank organized or operating under the laws of the United States or any member of the Federal Reserve System has been passed by the Senate. The bill adds to Section 2 of the Act of May 18, 1934, the provision that:—

"(c) Whoever shall receive, possess, conceal, store, barter, sell, or dispose of any property or money or other thing of value knowing the same to have been taken from a bank in violation of subsection (a) of this section shall be fined not more than \$5,000 or imprisoned not more than ten years, or both."



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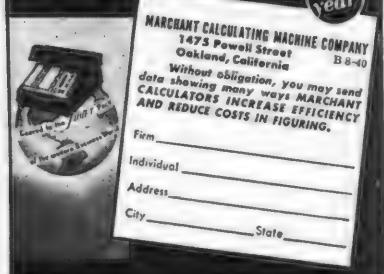
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HARTER

BANKING

Protecting the Reserve Banks Against Foreign Lawsuits

ADMINISTRATION LEGISLATION has been introduced in Congress to protect the Federal Reserve banks against lawsuits related to the payment of foreign-owned balances.

As explained in the House report on the bill (H.R. 10127):—

"The Federal Reserve banks hold large amounts of deposits and earmarked gold for foreign governments and central banks of countries which have been invaded and some of which are now completely occupied by the invaders.

In some instances the governments and central banking authorities have moved to other countries and in other instances some of them may still be in the occupied territories."

Restrictions are also in effect on foreign exchange transactions and the exportation and importation of gold except under license.

"In these circumstances, the Federal Reserve banks may find themselves confronted by more than one claimant to the same funds and may have to choose between the alternatives of (1) paying the funds out without clear authority or (2) refusing to pay them to anyone until the situation has been clarified by court decisions, which might embarrass the relations of this Government with friendly governments.

"This bill, in certain contingencies enumerated therein, would authorize the Federal Reserve banks to act with respect to deposits and earmarked gold of a foreign government or its central bank in accordance with representations of the duly accredited ambassador or minister of such foreign government, if recognized and accepted by the Secretary of State."

HERBERT M. BRATTER



"Defend Us From This"—

August 1940



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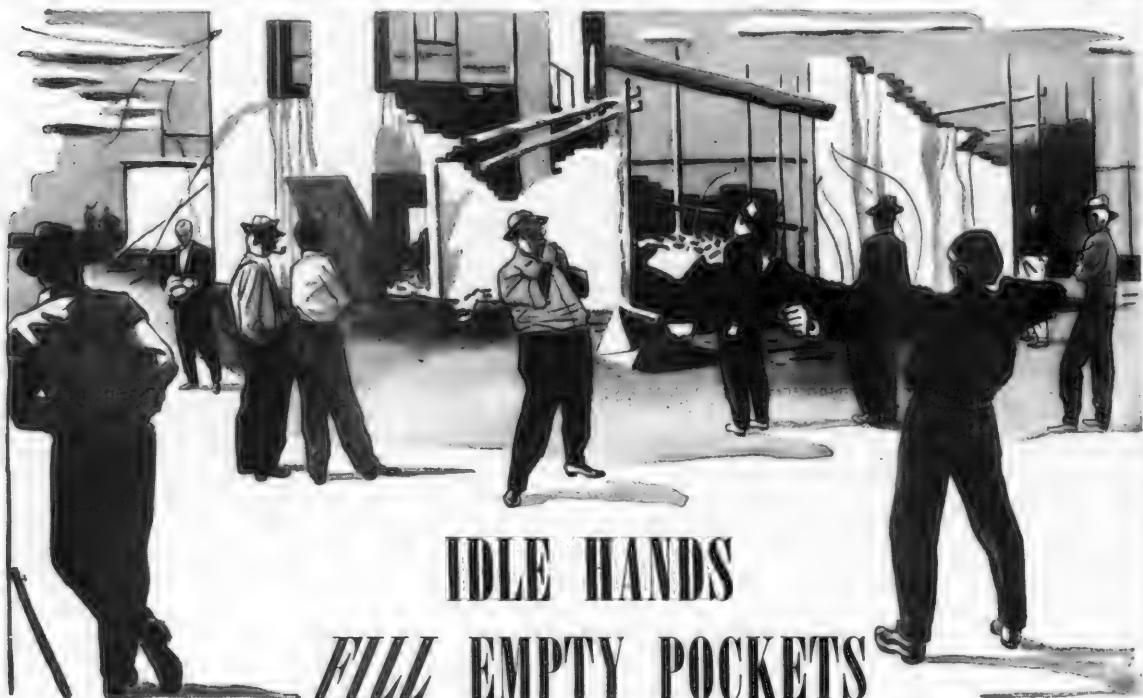
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Books for These Times

The British Empire. By STEPHEN LEACOCK. (Dodd, Mead & Company, New York, \$2.)

PROFESSOR Leacock considers the extent, distribution, wealth, resources, government and general economy of the Empire. He also discourses on the several Dominions. In all cases he emphasizes the Empire's "worth to the world" and its existence through cooperation rather than compulsion. "In it," he says, "we live as free men." Associations and points of contact with the United States are likewise stressed.

This, of course, is not a "funny" book, but it contains many flashes of humor and has an easy style. Good reading is thus combined with information.

Defense for America. Edited by WILLIAM ALLEN WHITE. (Macmillan, New York, \$1.)

HERE is an opportune book embodying the opinions of fourteen Americans as to what we must do to protect ourselves. In addition to the introduction by Mr. White, there is a final chapter comprising an "estimate of the situation" by President Roosevelt, as reprinted from his public addresses.

The contributors are Quincy Wright, Charles Seymour, Barry Bingham, Henry Sloane Coffin, Grenville Clark, James Bryant Conant, Mrs. Dwight Morrow, Rt. Rev. Mgr. John A. Ryan, Frank P. Graham, George Creel, Chester H. Rowell, Lewis W. Douglas, Rabbi Stephen S. Wise and Rupert Hughes. They write on such varied aspects of the theme as American policy, our defense, whether we shall go to war, our responsibility in the present crisis, immediate aid to the democracies, isolation, and the Pacific.

In the words of Editor White, "Every contributor has said in effect, 'this is our war,' and from his own point of view his conclusion becomes a part of the common conclusion . . . that the Nazis' triumph in Europe presents a definite menace to democratic civilization in the United States."

The Twenty Years' Crisis: 1919-1939. By EDWARD HALLETT CARR. (Macmillan, London.)

THE professor of international politics in the University College of Wales sent his book to press a year ago and was reading the page proofs when the war started. He made no attempt to

insert alterations; consequently the text is not, strictly speaking, "up to date". (What book can hope to be, these days?) Nevertheless, its realistic examination of world affairs during a period that saw a rapid descent from idealism is well worth reading.

Dedicated to "the makers of the coming peace", the book digs beneath the strata of personalities and more immediate causes of the present war, to its deep foundations. "If and when" peace comes, says Professor Carr, the lessons of the collapse that plunged Europe into its second war in two decades "will need to be earnestly pondered." Even if Germany's leaders should be destroyed, any settlement that does not touch the conditions which made Nazism possible will be building for future tragedy.

"The next peace conference, if it is not to repeat the fiascos of the past," observes the author, "will have to concern itself with issues more fundamental than the drawing of frontiers"; and the best ultimate hope of "progress toward international conciliation seems to lie along the path of economic reconstruction."

Financial Security in a Changing World. By MERRYLE STANLEY RUKEYSER. (Greenberg, New York, \$2.50.)

MR. RUKEYSER, a well-known newspaper financial columnist, writes a guide for the average man in handling his investments, budgeting and business. The book is largely based on the assumption that we will keep out of the war; however, there is a postscript wherein the author deals with the problems that will arise should we enter the conflict. Our nation should be kept economically strong, he says, with its avenues of production and distribution open.

Whither Interest Rates? By HARLAND H. ALLEN. (Harper & Brothers, New York, \$2.)

MR. ALLEN, an investment consultant, thoughtfully studies the causal factors behind interest rates, finding that those factors have considerable durability and that therefore "the prospect of continued low rates is far too great to be disregarded in the making of practical plans for the future." In fact, the prospect is "considerably greater than 50-50."

The author offers three principal reasons for holding that the balance of

factors favors low or lower capital yield: (1) Probable increase in the "self-service" principle in corporate financing; (2) probable increase in efforts to effect individual security through personal insurance, this boosting the investable assets of insurance companies; (3) "probable broadening of efforts to immunize specific loans from the ravages of obsolescence — this insuring for a protracted period the returning of such funds in larger proportions and at shortening intervals to the capital reservoirs for relending."

Mr. Allen sees no immediate evidence that the increasing mortality of capital will be arrested until technology permits a period of stabilization when "capital goods may have a longer average life, and when saved-up capital may again imply greater duration of security for its owner, and command a better rate of interest. . . ."

The book concludes with a chapter outlining the implications of low interest rates for banking, investment, insurance, home-building, and the security business. Mr. Allen is convinced, in conclusion, that on balance the advantages of low rates probably fully offset, if indeed they do not exceed, the disadvantages.

Bank Bond Investment and Secondary Reserve Management. By PAUL M. ATKINS. (Bankers Publishing Company, Cambridge, Mass., \$5.)

TO solve its individual investment problem, says Mr. Atkins, a bank must first study—constantly and carefully—itself, then securities, and finally the dominant economic, business and political factors. He writes his book as an aid to the banker in proceeding intelligently with an investment program that fits this pattern.

After chapters on the analysis of the bank's balance sheet, its income and its past history, Mr. Atkins gives considerable space to the evaluation of securities. He follows these discussions with a look at the influences exerted by changing conditions in business and politics, and at the available sources of information about these factors.

Secondary reserve and investment account policies and programs are suggested; there are also suggestions for periodic reports that will aid management in determining results. An appendix outlines selected sources of information that are useful, if not essential,

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in carrying out an investment plan.

The author, a consulting economist, was special liquidator of securities for the Comptroller of the Currency, 1932-37.

Tax Systems. The Tax Research Foundation. (Commerce Clearing House, Inc., Chicago, \$8.75.)

HERE is the eighth edition of this "year book of legislative and statistical information," covering all the states and certain Canadian and foreign data. Development of this publishing project has now reached the point where the editors map its aims as: first, to be an annual encyclopedia; second, a manual; third, a textbook; fourth, a sourcebook; "and so, it is hoped, a whole library on taxation." The vast amount of information incorporated in this large volume is readily accessible. It embraces comparative tax tables, tax collections in the United States, tax revenues of other countries, and model tax systems, all presented with a compactness and efficiency that carries out the plan to make this undertaking in the words of Mayne S. Howard, the editor, as far as possible strictly "an engineering project."

Other Books

Principles of Investment. By JAMES C. DOLLEY. (Harper & Brothers, New York, \$3.50.) This college text by the professor of banking and investments, University of Texas, covers media, principles, investment return, the fixed capital market, security marketing, and the mechanics of security trading. There is also a chapter on the flotation of speculative and fraudulent security flotations.

The Over-the-Counter Securities Market: What It Is and How It Operates. By JOHN C. LOESER. (National Quotation Bureau, Inc., New York, \$2.) The services rendered to banks, insurance companies and other institutional investors by the counter market firms are described and explained in this non-technical little book. Mr. Loeser is connected with the Bureau.

Investing for a Widow. (Barron's Book Department, Boston, \$2.) Here are the eight investment plans that won prizes in Barron's second "widow" contest, with the added feature of four critiques of the winning plans. The question posed was the investment of \$100,000, that sum being the entire fortune of a widow with two young children.



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A saving of \$3,600 per year resulted in one bank from an investment of \$2,700 in new bookkeeping equipment.

A moderate size bank invested \$612 in equipment, resulting in a saving of \$30 per month or \$360 per year.

In order to eliminate overtime work, a large southern bank invested \$6,540 in new bookkeeping equipment and saved \$4,495 per year.

By investing only \$800 in new Burroughs equipment, a moderate size bank was able to save \$840 per year in its proof department.

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The Condition of BUSINESS

WAITING FOR ORDERS. There are quite a few signs of new activity in commerce and industry but to a great extent they represent a lively sense of Government orders yet to come. Treasury billions are talking very loud, but when all is said and done the success of the defense program is up to private effort, individual resources and the bank on Main Street.

Plants both large and small have already accomplished a highly creditable job in getting themselves ready, but the fact remains that while money can still be voted right out of nowhere, there is no magic wand that can put it instantly to work.

SECOND THOUGHT. The fact that taxes and rearmament orders are approaching arm in arm is an arresting thought, but on the other hand business is getting kinder treatment from all directions. The Government needs taxes today more than it needs loans, and the simplest rule of common sense is to encourage the single blessed source of all taxes, namely, successful business enterprise. Of course, by thinking of rearmament as an economic stopgap and going deeper and deeper into debt we are only postponing the evil day. The chances are we are heading for money trouble and everyone knows it, but we must act now and worry later.

PRIMED AGAIN. So much has been said about the billions appropriated by the Government that it is easy to forget how flat the effort would be if it failed to swing into action the entire economic equipment of the country. The money that the Government will spend and lend for rearmament will be only a fraction of the amount to come from banks, corporate surpluses and other private business sources. The magnitude of the program, viewed simply as a business undertaking, extends far beyond the limits of national defense and the question of how much the Government will do and what relative part business will play answers itself, to a large extent, because the job is far too big for the Government to finance and handle, even if it wanted to.

There is a feeling, only slightly concealed, among the pump-primers that the defense plan is simply a new phase of bootstrap-lifting in which the opponents of spending have been effectively squelched. In other

words, the rearmament business finally has the budget-balancing advocates talking against the wind.

CROSS INDEX. BANKING's index of the general trend of business, obtained from a poll of 3,000 bank directors and bank presidents in all sections of the country, indicates that business thus far is taking the defense program in its stride. Reports show a sustained upward trend but not too fast.

Forty-six per cent of those polled for the purpose of this summary said that business was getting better, 41 per cent found conditions about static, and 13 per cent reported a decline. The month before, 43 per cent said that the direction was up, 37 per cent reported that their respective enterprises were holding their own, and 20 per cent reported an unfavorable trend.

The composite cross index figure this month stands at 78, compared with 68 last month.

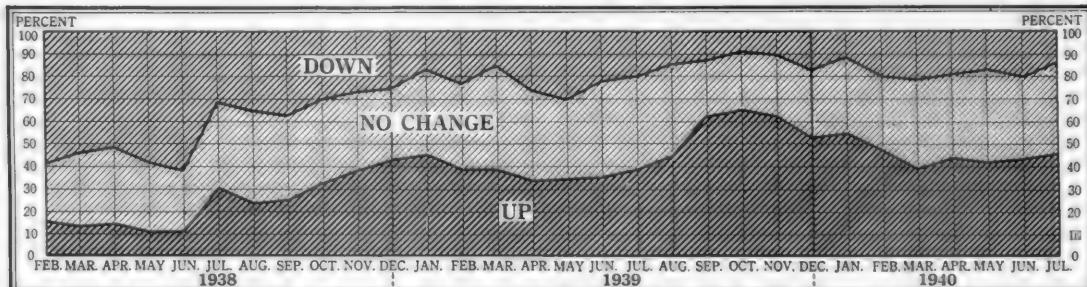
MEN AND MONEY. The advisory defense group is accomplishing a tremendous amount of work but they still have more responsibility than authority, particularly under these circumstances where authority consists chiefly in having money and the power to use it. Therein lies one cause for misgiving, because the business men giving their time generously to defense matters in Washington may be subjected to criticism if things move too slowly to suit the popular fancy. This could give rise to a line of reasoning that business men may be all right in their place but it takes someone else to get action.

The fact that we must eventually reach a point of highly concentrated responsibility and intelligent direction is generally accepted, but we are not deep enough in the task to make such a step seem inevitable.

TWO UNCERTAINTIES. There are still the same old reasons why business keeps one foot on base and waits for the future to clear up. First is the question about the duration of the war and the other is the election scheduled for next November.

The belief seems to be widely accepted that, if the fighting stops, the first result would be a slump in business in this country. This is probably true, but mainly for psychological reasons, and it should not last long.

The complete record of BANKING's cross section poll





At a conference on defense—left to right, Edward R. Stettinius, Secretary Knox and William S. Knudsen

Our defense program will go ahead without interruption, barring the remote possibility of some international disarmament plan as a sequel to hostilities.

STRONG MEDICINE. Whether it is called a rearmament program or something else, we are depending upon it to solve two of our greatest problems—national security and recovery. Some even hope that it will solve another famous problem—the debt nobody knows—as soon as our income is raised to 80 or 100 billion dollars annually.

There is one question closely connected with the business outlook that is unanswerable at the moment—just how big is the rearmament proposition? The only measure of its size we have is the amount appropriated by Congress or authorized for contract purposes. Thinking in terms of 10 or 15 billions, it comes as a surprise to discover how small is the actual increase in Federal expenditures scheduled for this year.

Even the most sanguine place the amount that can actually be put out for defense purposes during the current fiscal year at less than 5 billions, and this means that the increase over last year will hardly exceed $2\frac{1}{2}$ billions at the outside.

It is the back field represented by banks and private investors who must take the ball and carry it.

The secondary peripheral business activity set in motion by the defense program will loom bigger in the months to come and will be expected to generate taxes to pay the whole bill.

THE HOUSE THAT JACK BUILT. Almost any example will show the ramifications of the defense program. The

Government, let us say, wants a certain number of airplanes. There are dozens of different materials that go into the making of the machines. One of the most important is aluminum, and practically all the plant capacity in this field is already being used. Therefore new plants are needed and new power sources to operate them.

In order to build the power plant to run the expanded aluminum industry there must be a dam constructed. Like the house that Jack built, the construction of planes starts with the buying of material for the building of a dam to make the power to run the dynamos to make the aluminum to make the planes.

GOVERNMENT BANKING. Government loans will be used mainly in two cases: (1) when private funds are not available for some reason, and (2) when the project is of such temporary character that a bank would not be justified in risking its depositors' funds. The opinion is freely expressed in official Washington quarters that private financing will be given first consideration in every instance, and that private operation of plants will be arranged for even in cases where the Government provides all the funds for the undertaking.

PAYING THE BILL. The question of paying for the Government's rearmament expenditures is just as much in the air as the whole debt problem. The new taxes, including those on excess profits, will help, but the main reliance is going to be on the famous old assumption that business revival is just around the corner!

WILLIAM R. KUHNS

Know your Money...



Know your Checks

The crime-prevention film, "Know Your Money," and other secret service and police activities have effectively curbed attacks on currency by forgers and counterfeitors. But the police axiom that a forger never reforms is proven by the increase in check frauds, as criminals have shifted their attacks to this front.

Give *your* customers positive protection against this hazard. Todd checks provide triple safeguards: (1) if tampered with, these checks are self-cancelling—a single drop of ordinary ink eradicator scars the surface of the check with numerous VOIDS; (2) crooks can't

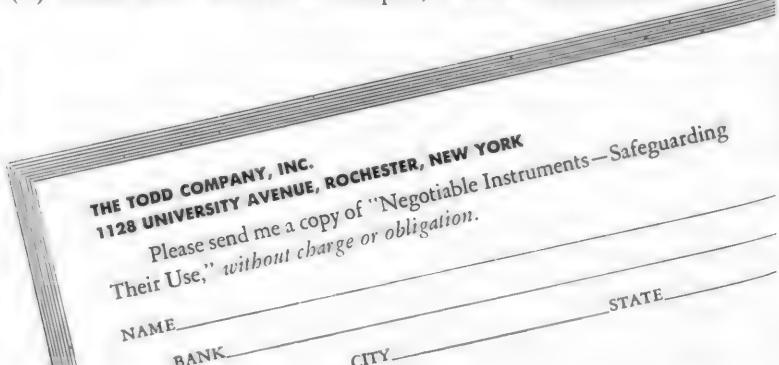
successfully counterfeit Todd checks—the paper cannot be obtained in blank; (3) insurance guarantees the effectiveness of these exclusive, protective features.

Todd checks—safe, attractive and easy-to-write-on—constantly build good will for the banks that use them. Write for cancelled specimens and test them yourself.

"Negotiable Instruments—Safeguarding Their Use," is the title of a booklet just published. It outlines precautions to observe in handling negotiable instruments of all kinds. You may have a copy without cost or obligation. Use the coupon, or write the address below.



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BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

AUGUST 1940

Financial Statesmanship

The Banks and Industrial Mobilization

ALBERT W. ATWOOD

Mr. ATWOOD wrote "Billions for Defense" in the June issue of BANKING.

LIKE every other good citizen, the banker has an intensely patriotic concern in the vast expansion of his country's defensive program. In his mind the first consideration is naturally the building up of military, naval and aviation defenses sufficient to prevent or repel any violation of American rights or independence. If war should come, the primary requisite is, of course, a decisive victory.

But because of his profession the banker has a further interest in this great program. In modern warfare and in preparation to meet warlike aggression, industrial mobilization has become of paramount importance. In other words the organization of industrial resources is now the limiting and in a sense the primary factor in national defense. But this is only another way of saying that the whole economic system must be geared to a national purpose.

Perhaps more than any other institution the bank is the clearing house of our economic system, touching it in almost countless ways and sooner or later reflecting its every direction and purpose. Thus it is natural for the banker to take a peculiar interest in the Government's plan for industrial mobilization and in all the effects which a great armament program is bound to have.

But it is not easy at this time to set forth even the outlines of such a plan. The task is difficult for several reasons. In the first place, although the words "industrial mobilization" are used glibly enough these days very few persons realize as yet what a tremendous effort and strain it is for a free competitive system like ours to suddenly shift over into an emergency state. Even for autocratic Germany to achieve industrial mobilization while still technically at peace, it was necessary for the nation to live for six long years under conditions of siege.

Naturally there is confusion, or at least the appearance of confusion, when a peaceful nation like this decides almost overnight that it must become at once, if possible, a vast, compact, unitary instrument of po-

tential destruction. In a little noticed recent address to the Veterans of Foreign Wars, General George C. Marshall, Chief of Staff of the U. S. Army, said that less than three months intervened between the time when the Army appropriation was cut down to 57 planes and when he was criticized for "daring to mention so small a number as 10,000 planes."

The American people suddenly want a large army, fully equipped with the latest vehicles and weapons, and they want this transformation to be accomplished immediately. Whether anything like a clear cut plan can emerge under such conditions, whether progress can be made other than step by step, whether confusion can be avoided, is almost impossible to say.

YET despite all this a few dependable outlines of a plan are apparent, and they are reassuring as far as they go. To begin with, the Army and Navy have been working on the subject of industrial mobilization ever since the last war. In June 1920 Congress passed the National Defense Act which turned over to the office of the Assistant Secretary of War the business of army procurement. Then in June 1930 Congress created the War Policies Commission, composed of representatives of the Army, Navy and Congress, to make careful studies and reports on industrial preparedness; the first report being made in 1931 and the last of several revisions bearing the date of October 29, 1939.

No one pretends that these studies and reports constitute a complete blueprint, but there has been a continuous effort to analyze the problem and indicate ways of handling it. For example, something like 20,000 industrial plants have been surveyed with a view to their use in war time. Generally speaking, the purpose has been to avoid the extravagances, delays, injustices and wasted effort of the World War. In the first report of the War Policies Commission it was recognized that "there is no short cut to the exceedingly intricate processes of preparedness, but peace time efforts should establish general policies."

Among the many subjects which have been studied have been the elimination of waste, rationing of the population, standardization of type and design of

Funds to help industry help NATIONAL PREPAREDNESS



"These orders and your firm's credit standing warrant a loan."



"Now we can go ahead with our plans
For the plant addition."



Production is increased.

In step with the Government's program of preparedness, many companies will increase their capacity for production. Many will retool and otherwise adapt their factories to manufacture needed equipment.

To help in these activities, making possible the expansion of buildings, machinery, inventory and payrolls, Bank of the Manhattan Company will make loans in accordance with sound banking policy.

In line with the policy of this Bank

Not only in times of emergency but right along, this Bank has advanced credit to manufacturers engaged on Government contracts. It has financed the construction of ships for the Navy, as well as airplanes and other equipment for the Country's armed forces.

Bank credit means greater speed, and speed is important

The financial resources which this Bank and others make available will help speed up preparedness, to the Nation's benefit.

We suggest that you discuss your plans with one of our officers.



BANK of the MANHATTAN COMPANY

The Bank of Yesterday, Today and Tomorrow

Member Federal Deposit Insurance Corporation

Like this New York City institution, some banks have advertised their readiness to make sound defense program loans

essential products, the prevention of hoarding, the postponement of deferable uses, the uses of substitutes, the discovery of new sources of raw materials, the co-ordination of purchasing, the more adequate distribution of the industrial load, the more efficient use of transportation, and the prevention of price disturbances.

Speaking more specifically, all these studies, reports and "plans" contemplate, in case of war, very definite "controls." There will be controls over prices, over priorities, over profits, over finance and eventually over labor. "It is impossible to list all the controls that may become necessary to win a war but no matter how many we may need, we must be prepared to submit to them gracefully in an emergency," wrote Louis Johnson, Assistant Secretary of War, in a recent article. "Economic control is not a pleasant prospect, but neither is war, and even less so is the spectre of defeat."

Mr. Johnson went on to say that in the World War the difficulty was not in the organization or administration of the controls, but in the delay in providing unquestioned authority for them. There is no doubt that if we get into war in the near future, controls will be established much sooner than in 1917, and in fact they are now being established, although we are not in war.

All the plans of the War Policies Commission have contemplated the setting up of a War Resources Administration, to be headed by a director, as soon as war becomes imminent. Although the 1939 revised plan recognizes much more fully than did the earlier ones

the increasingly important role of existing governmental agencies and provides for their use in any emergency, there is great emphasis upon the creation of a temporary agency, that is, a War Resources Administration, to serve as the focus of all activities and to be a super agency, as it were.

Under all these plans there is to be an advisory council, and it is at this point that the National Defense Commission, headed by Mr. Knudsen, Mr. Stettinius and others, fits in. As a matter of fact the War and Navy Departments have always feared that in the transition period between peace and war there might be costly fumbling, and it can be said authoritatively that the National Defense Commission has rapidly taken on about as many of the functions of the War Resources Administration as is consistent with the fact that we are not actually at war.

Possibly the reader may ask what all this has to do with banking, although no one would ask the question who has ever dipped into the organizational background of our defense program. No businessman or banker can afford not to familiarize himself with as much of the history of this subject as possible. For in that history lies much in the way of reassurance and safeguard from his particular point of view.

It is emphasized, for example, in the October 1939 revision of the official industrial mobilization plan that no modification of any constitutional process is proposed. "The surrender of all individual rights in war is undesirable," says the latest revision, "but the assumption of additional individual responsibilities is essential."

Assistant Secretary of War Johnson is equally outspoken. In a recent address at the University of Virginia he said that defense means keeping democratic institutions as well as repelling the enemy. Further, he added that the two great constitutional safeguards against turning the country into a Roman Empire ruled by legions at the head of which is a succession of military dictators—namely, the supremacy of the civilian over the military authorities and the necessity for the military to go to Congress for funds—must be retained, even in war.

In many other ways the whole attitude of the two service departments and of the successive reports of the War Policies Commission are reassuring to business. Although price control is expected to become necessary the point is made that pressure will be used only where cooperation of the industry cannot be had.

"Peace time procedures and methods should be modified only in case results fail to meet the requirements of war," is another dictum of the last revision. Another point of emphasis is that the personnel to fill the responsible positions in the War Resources Administration should be obtained from the patriotic business leaders, "who must command respect as well as be good executives and familiar with our resources."

At this writing it is too early to predict just what form of excess profits tax or just what regulation of profits in war contracts will be adopted; probably the contracts will not permit as great profits as were sometimes made in the World War, but will also contain

The Banks Are Ready

STRIKING evidence that the banks are alert to the credit needs of the national defense program and that they are ready to make every possible effort connected with America's armament plan is offered in the replies to a letter sent all members of the American Bankers Association by President Robert M. Hanes.

Pointing out that the necessary defense financing would consist of direct Government expenditures from funds provided by sale of Federal securities, and of direct financing of business concerns having government contracts, Mr. Hanes wrote:

"It is my belief and that of others with whom I have discussed this question, that both sorts of financing can and should be carried out through the normal existing channels, without the creation of new agencies, mechanism or devices. The banks of this country have the resources, the trained personnel and the knowledge of their own communities, which equip them, along with the investment markets, to handle a very large part of the necessary financing. This financing can be carried out in such ways as will enable the banks to provide an adequate volume of loans and at the same time safeguard the funds of their depositors.

"All banks should be actively and energetically soliciting every sound loan in their communities. Especially is it true that they should try in every possible way to make every loan that has anything to do with the defense program."

Hundreds of messages from all parts of the country poured into Association headquarters endorsing the opinions expressed in President Hanes' letter.

Previously, Mr. Hanes and Harold V. Amberg, president of the Reserve City Bankers Association, had called on President Roosevelt to proffer the banks' cooperation in the national defense efforts.



Robert M. Hanes

The Capital Markets Are Ready

Adequacy of the capital supply was stressed by Emmett F. Connely, president of the Investment Bankers Association of America, in an address before the National Retail Dry Goods Association at Chicago.

"The reservoirs of the capital markets are full to overflowing," he said. "I have checked the important industries—aviation, machine tool, automotive, metallurgical—involved in the defense program, and there appears to be little or no need for government financial assistance. On the contrary, these industries are in a position to raise, through regular banking channels, what capital they may require for expansion."

greater security against losses. Meanwhile, it is significant to note that in comment a few years ago on one of the more extreme provisions of an extreme war tax bill the War Department remarked that "the great bulk of businessmen are, after all, patriotic and honest."

As for financial and banking controls under an industrial mobilization plan it is obvious that these are the least pressing or urgent that we have, unless additional controls over the excess reserves of the banks and over the potentialities of inflation may be needed. It is interesting to note, however, that all the plans for industrial mobilization provide that the War Resources Administration shall have a subsidiary War Finance Administration, along with a War Labor Administration, War Trade Administration and Price Control Authority.

It is planned that this War Finance Administration

shall be staffed by representatives not only of the public agencies, such as the Treasury, RFC, Federal Reserve Board and SEC, but also of the private agencies. The Finance Administration would attempt to coordinate the administration of policies having to do with taxation, credit, flow of capital and issue of securities, public and private. This might mean the exercise of great authority over the banks of the country, but it should be carefully noted that throughout all these plans the cooperation of private enterprise is everywhere sought.

One may safely hazard the prediction that the nearer war comes the more nearly will the carefully laid industrial mobilization plans of the War and Navy Departments and of study groups in which they have participated, be followed, and the less likely is it that the country will follow the ideas of those who look upon the profit motive as wicked and businessmen as unpatriotic.

Investment Preparedness

Ten Practical Suggestions

E. SHERMAN ADAMS

Mr. ADAMS is a regular contributor of articles on bank investment problems.

BANK investment policies may be profoundly affected by far-reaching developments foreshadowed by events at home and abroad during recent months. The world has entered an era of radical transformation. Banking conditions in this country may change with extraordinary rapidity. Some present trends may be accelerated and others reversed. Bankers may be called upon to make important adjustments in their investment policies to adapt their banks to new situations.

In a world so full of uncertainties, it is obviously impossible to know just what will happen next year or even next week. It may be essential for bankers, nevertheless, to analyze future possibilities. Immediate action may be required to prepare for their impact later.

One thing is certain: the United States is embarking upon a prodigious defense program. Billions have already been appropriated, a foretaste of things to come.

Two consequences seem inevitable. The burden of taxation must sooner or later increase and the Treasury must borrow staggering sums. It is highly probable, of course, that banks will add very materially to their holdings of U. S. Government securities. Banks will be expected, or, if necessary, required, to cooperate in financing the Government's needs.

EXPERTS are busy disagreeing, as usual, as to what will happen to bond prices. The question seems more difficult than ever and answers are guesswork at best. It may be a safe guess, however, to say that a really radical decline in prices for Treasury securities will not occur for the simple reason that the Government would doubtless use any means necessary to prevent it. Future markets may be characterized by erratic fluctuations and it may become increasingly difficult to guess short term price movements. On the other hand, in case of war, the money markets would in all probability be subject to strong governmental control. As for second grade corporation bonds, it remains to be seen how much they may benefit from the stimulus of re-armament. Their longer term outlook, however, is clouded by the prospect of higher taxes and the danger that widespread economic maladjustments may result from the destructive forces that have been unleashed.

The Treasury might obtain substantial sums by selling its obligations directly to individual investors, especially in the event of actual warfare. This has been done on a large scale in Great Britain during the past year. It will also be recalled that in 1917-18 Liberty bonds were widely sold to individuals who paid for them by borrow-

ing from banks. Such a plan might be employed again or some other means might be found to utilize some of the vast amount of deposits that have accumulated in our banking system.

Some significant possibilities are apparent. For example, a bank which has for years enjoyed a steady growth of deposits may experience withdrawals by depositors who wish to buy some new type of baby defense bonds. Or it may be that the loan portfolio which has been gradually shrinking year after year may suddenly expand as customers borrow to pay for securities of this character. In fact, both of these might happen at once. And at the same time, that bank may be receiving allotments of new Treasury securities which it must buy for its own account.

The defense program, of course, may eventually cause a considerable expansion of bank loans to business. Part of the increase would probably comprise term loans to finance plant alterations and additions. This would be likely to affect especially medium-sized and larger banks in industrial areas. Certain communities which are largely dominated by preparedness activities, such as shipbuilding or aviation, seem headed for boom conditions. Banks in these localities will probably experience rising deposits and loans for a number of years.

Looking at the picture as a whole, the most significant fact is that bank earning assets may expand at a phenomenal rate for years. This would mean a tremendous increase in the risk of loss in banking assets. There is little prospect of any corresponding increase in the amount of protection afforded by bank capital accounts. The figures show that bank capital accounts have already been seriously depleted by depression losses and by a decade of reduced earnings. The ratio of earning assets to capital funds is now unusually high. This is partially offset, to be sure, by the fact that the quality of these assets has improved. Nevertheless, a 25 or 50 per cent increase in bank earning assets would have grave implications for the future of banking in this country. It might prove a prelude to a crucial test of banking solvency during an ensuing period of business collapse.

In view of these considerations, what practical steps should a banker take to prepare his institution for the future? Here are some suggestions:

1. Conserve earnings, profits and recoveries in order to protect against possible future losses.

A banker may have ample capital protection now against potential losses in his present assets but this may not be true several years from now if there is a substantial increase in his loans and investments.

This possibility should be a cogent reason for reducing or omitting dividend payments at once in many cases. Some banks should cease retiring their outstanding preferred stock until the outlook becomes more clarified.

2. Consider the advisability of realizing profits in securities to strengthen reserves.

If a bank has a weak capital position and a sizeable appreciation in its investment portfolio, it may be desirable to realize profits and then to reinvest the proceeds. This process of capitalizing future earnings by writing up the book value of a bank's securities is not generally to be recommended, but it does sometimes have practical advantages. It may enable a banker to liquidate bad assets that might otherwise be retained and ultimately entail heavier losses. In this connection, it may be worth while to estimate whether the bank will have to pay taxes on profits realized in the current year.

3. Take advantage of opportunities to liquidate doubtful assets.

This is no time to be striving to obtain maximum recoveries on sub-standard or borderline assets, including loans and real estate as well as securities. Many industrial, public utility and municipal obligations of questionable investment merit are today selling at high prices in comparison with their lows of only recent years. Bankers should scrutinize their holdings carefully for issues of this type which should be sold now. In the case of bonds quoted at substantial discounts below par, it may be desirable to lower liquidating prices at which these items are scheduled to be sold, and to resolve to eliminate them entirely within a definite time.

4. Plan to exercise unusual care in supervising investment credits.

The turbulent years ahead will doubtless produce conditions that will weaken the position of some companies whose obligations today appear to be sound. The same is true of municipal credits. A banker should work out a definite system for following the status of his corporate and municipal holdings and should dispose of issues that he is unable to supervise properly.

5. Revise liquidity objectives in the light of possible demands for funds.

Banks which are rather fully invested should give particular attention to potential future demands for credit and to the possibility that deposits may be withdrawn to purchase defense bonds. Others should take the precaution of revising their standards with respect to primary and secondary reserves in order to guard against becoming too heavily invested.

6. Weigh the probable effects of other factors upon the particular bank.

These will depend largely upon the economic background of the community, as mentioned above. Also, an individual bank may have special situations that require careful consideration, such as a large volume of instalment loans or F.H.A. insured mortgages, substantial holdings of real estate, loans to farmers who

rely upon an export market, a dormant War Loan account, and so forth.

7. Work out a definite system for following changes in the bank's position.

Investment operations should be regarded as an important means of maintaining an ample degree of safety for the entire bank. The vital factor to watch is the amount of risk in the bank's assets in relation to the amount of protection afforded by the capital accounts. An increase in loans and discounts can frequently be offset by strengthening the composition of the bond portfolio. It may also be essential to follow closely changes that may occur in the bank's liquidity requirements and its earnings position.

8. Plan to adjust the distribution of maturities as additional securities are acquired.

It is clear enough that the risk in a bank's portfolio depends more upon its composition than upon its size. The effect of doubling the amount of U. S. Government securities, for example, can be offset by a commensurate reduction in the average maturity of these investments. A banker should periodically estimate by means of a bond yield table how his portfolio would be affected by a given change in interest rates. This procedure emphasizes the importance of watching carefully the ratio of long term bonds to capital accounts.

9. Follow an investment policy that provides protection against various contingencies.

With so many uncertainties in the outlook, a middle-of-the-road investment policy seems particularly suitable for a bank today. The banker who keeps fully invested, especially in long term issues, has inadequate protection against a rise of interest rates. The banker who clings to an extremely liquid position which results in unnecessary operating losses, is not protecting his earnings position against the possibility that bond prices may remain high for years to come. The banker who tries to guess short term swings in the bond market exposes his bank alternately to both risks. A balanced, hedged position may not yield maximum profits but it does provide greatest assurance of satisfactory results.

10. Plan to keep well informed regarding developments affecting banking and investments.

This is particularly important today because of the rapidity with which conditions are likely to change. It may mean subscribing to helpful periodicals or news services, planning regular visits to consult with metropolitan bankers, and attending study conferences and forum groups. Bankers may find it very helpful to maintain a current record of various financial and economic statistics, such as those provided by the Federal Reserve chart book.

The voyage ahead for banks lies across unknown and treacherous waters. Soundings must be taken at frequent intervals. A sharp lookout must be kept for shifting currents and dangerous reefs near at hand, and for signs of gathering trouble on the distant horizon. Every precaution should be taken to guarantee that the ship remains seaworthy.

An Adventure in Bank Teamwork

JOHN J. SCANLON

Mr. SCANLON, a Springfield (Mass.) newspaper man, reports on a commercial credit instalment system developed by a Springfield banker.

THE instalment plan has become so popular with the buying public that credit is now entering the stream of commerce from the consumer's end instead of the producer's end, as was the case a decade or so ago. The manufacturer as well as the merchant is now forced to sell some of his goods on time.

This development has brought with it a new type of commercial paper, for the manufacturer does business in large-scale, long-term transactions and therefore likes to sell his customer's note as quickly as possible. As the endorser of these notes, he has a vital interest in the way they are handled. If they are administered efficiently, his losses are small; if poorly, he takes it on the chin.

Most of the manufacturer's sales are spread over a wide area. If he sells on time to a customer a thousand miles away, he must find an agency to administer the note with maximum efficiency. He can't expect his home-town bank to do it because the customer is outside the bank's territory.

When this new type of paper appeared, therefore, the banks were excluded from administering it because of their territorial limitations. The manufacturer turned to another source—the credit agency. For the sake of convenience he generally selected a single organization with branches that paralleled his own distributing agencies. This organization was required to furnish him money and credit information, and supervise the collection of his customer notes over a wide area. The credit agencies had plenty of money—usually furnished in part by the banks—and they soon began to flourish as a result of their new-found bonanza.

THE bankers were not particularly pleased to see this lucrative business rushing by the door, especially when they had so much idle money on their hands, but they couldn't figure out what to do about it. A few years ago, however, a young bank official decided that something *could* be done about the situation. He was Alexander J. Guffanti, vice-president of the Springfield (Massachusetts) National Bank, who only a short while before had set up a profitable small loan department at the bank. Mr. Guffanti was convinced that instalment credit financing had as many possibilities as small loans.

"There is a bank in every sizable city in America," he reasoned. "All have money to employ, all have skilled credit executives and all have years of experience with all sorts of financial transactions. Therefore, it is only necessary to coordinate the efforts of a sufficient number of these banks and we can obtain a far more useful, skillful and acceptable method of handling instalment sales than the other fellow."

That coordination is embodied in the New England Commercial Plan, which Mr. Guffanti organized in 1939 to enable New England commercial banks to cooperate in the interchange of instalment paper on an all-for-one-and-one-for-all basis.

So far, the plan has been adopted by 40 commercial banks, from Bridgeport to Bangor, which can now offer manufacturers a uniform, low-cost method of liquidating term purchase obligations. The manufacturer deals only with the bank nearest his place of business. That bank buys or discounts his customer notes and makes the credit available to him at once. The same bank will gather for him, if he wishes, accurate and intimate credit information about any prospective buyer anywhere in New England. Trained credit executives will help him select only the reasonable risks.

The bank discounting the manufacturer's paper later sells it to whichever bank in the plan is nearest the manufacturer's customer. Inasmuch as there is a subscriber bank in every population center in New England, the manufacturer is assured that each transaction will be handled by a bank in his customer's city, and usually by one that numbers the customer among its depositors. Manufacturers outside the New England area also find advantages in the plan.

For handling a typical note under the plan, the member banks charge \$6 a year per \$100. In some large transactions the rate is shaded to 5 per cent. Twenty-four months is regarded in most cases as the maximum period for term payments, with 36 months as the limit, depending on the size of the transaction. As the payment period exceeds 24 months, the transaction rapidly loses its attractiveness to the banks. The size of the down payment also is an important factor. Twenty-five per cent is normal, with 10 per cent as the minimum. Transactions where the down payment is less than 10 per cent are handled with care.

The amount the banks will advance against a series of transactions also remains flexible. Normally 90 per cent of the proceeds is advanced, 10 per cent being held in a reserve fund to support the endorsement until the transaction pays out.

This reserve is sometimes waived when a concern of wealth and established reputation challenges it, but it is increased when the circumstances dictate the wisdom of such a move.

The plan is a pioneering step. There are still a few rough spots to be smoothed over, a few internal problems to be ironed out. But the member banks have profited by their mistakes, and they are polishing up the rough spots rapidly.

The plan already has given them a new and promising outlet for their idle capital.

Tax Economy

The Taxpayer Association Movement

AVERY CLAFLIN

Mr. CLAFLIN is treasurer of the French American Banking Corporation, and president of the Nassau Taxpayer's League, Inc., New York.

BANK deposits and profits thrive best in modern, progressive American communities where local government is efficiently and economically administered. Aware that up-to-date public services can be combined with moderate tax rates only through a business-like approach to local public spending, bankers are playing an increasingly active part in the economy efforts of the rapidly growing taxpayer association movement. In many sections of the country, bankers are acting as officials or committee members in the movement, which already embraces 20 state-wide organizations and hundreds of smaller units. Savings effected for taxpayers by these voluntary citizen groups run into the millions.

Bankers realize that with a 4 billion dollar increase in the Federal debt for rearmament and the debt limit raised to 49 billions, any savings for the overburdened taxpayer must be effected in the non-defense departments of Federal expenditures. There is also a growing belief among bankers affiliated with taxpayer associations that the high cost of Federal government can be offset to a considerable degree through economies effected by the 175,000 local government units of which the aggregate operating cost is greater than that of the Federal Government.

THIS belief is substantiated by the important economies in local government costs effected by action of taxpayer groups in many sections of the country. As a result of taxpayer activities in Nebraska, property taxes have been reduced by \$159,000,000 in the last 10 years and the debt of local government units has been cut by \$38,000,000.

A survey of public expenditures in Hammond, Indiana, was made by the Citizens' Tax Research Committee. Results of the survey which covered the past four years, formed the basis of a demand for reduction in the cost of government and led to a cut of more than \$283,000 in taxes proposed for 1940.

In Joliet, Illinois, the Civic Committee of Will County set out to get the facts on public expenditures. Its efforts have led to a saving of approximately \$177,000 in taxes.

The Taxpayers' Association of New Mexico was responsible for an eleven-to-one defeat of the proposed issuance of \$1,450,000 in bonds for state institutions.

There has been a decrease in annual expenditures of nearly \$2,500,000 in South Bend during the eight years

which the Civic Planning Association has been active, despite the fact that relief costs have increased \$853,000.

THE broad purposes of the taxpayer movement are: to focus public attention upon the increasingly serious tax problem; to attack the mounting burden of taxes at its source—public expenditures; to scrutinize every dollar of public expenditure so that waste and inefficiency shall be eliminated; to foster economy and efficiency in public administration in the interest of improving the economic status and standard of living of citizens of the community.

Through taxpayer activities, bankers, accustomed to efficient business practice, are striving to correct the following methods and practices which are typical of the careless financial operations and waste of public funds that characterize many village, town, county and city governments:

Signing of blank checks against future expenditures; heavy mileage expense bills at 10-15 cents a mile allowed to county supervisors and other public officials; no specifications given on purchase vouchers; no detailed budget proposals presented to citizens; total departmental requests only.

No public hearing called on proposed budgets for the coming year; part time jobs given to public officials which could be consolidated at substantial savings to taxpayers; annual county supervisors reports give no specifications on expenditures, only amounts and names of recipients and the citizen thus doesn't know what his money went for or whether amounts are justified; amounts budgeted are not given with amounts spent by various departments; so that the citizen doesn't know where or how the budget was exceeded; expenditures are often charged against departmental appropriations with which they are not related.

No control exercised over the purchase of land and prices paid for highway rights of way; unnecessary borrowing year after year and the piling up of funded debt instead of increasing tax rates; gasoline and other supplies bought at retail, with no quantity discounts.

No effort made to plan or check monthly expenditures in order to keep within the budget; no independent audit made of public expenditures; no allowance made for reduction of funded debts; no referendum held on the issuance of new bond issues for public works; no general ledger kept so that officials can determine the total status of public funds at any time.

Many taxpayers' associations make specific recommendations for the correction of extravagance, inefficiency, waste and carelessness in their local governments. Through publicity, public attention is focussed on such practices and demands for reform are the result.

Once there was a bank J. WILL IRWIN



Once there was a bank. It was a very high bank, physically and professionally



One day the bank's president was challenged



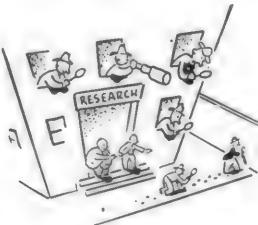
Looking out the window, Vice-president No. 37 saw a man waiting for a bus



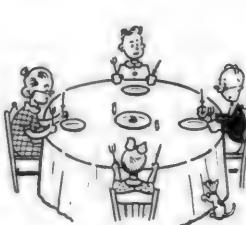
He said: "I'll bet that you, by advertising, can't get that chap to borrow from us"



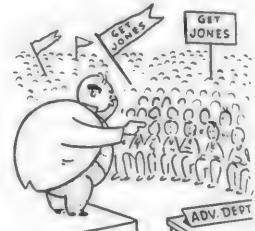
"You're on," said the president. "It's a bet"



So he hired specialists to research the fellow



They found his name was Jones and that he could use some money



So they directed their advertising toward Mr. Jones



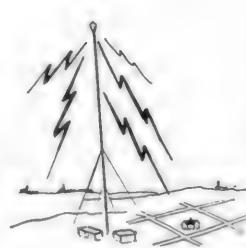
They found that he rode in the same bus seat every day, so they put a car card in front of him



He read the paper over his neighbor's right shoulder, so they bought space where he could see it



They erected billboards at places where he got on and off the bus



They built a 50,000-watter a few blocks from his home



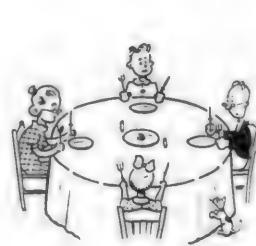
They sent folders to him in shiny envelopes and sneaked blotters under his plate



And advertised like this



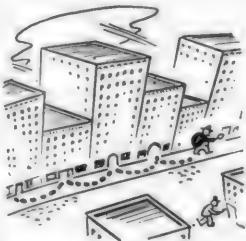
And this . . .



But he would not borrow

Illustrated by BOB KIRKPATRICK

MORAL:—You can lead a horse to water, but if you want him to drink take heed lest you scare away his thirst.



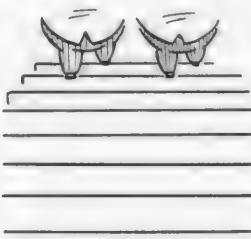
They followed him daily, but whenever he got in town they lost him, and though they looked in stores . . .



. . . and buildings



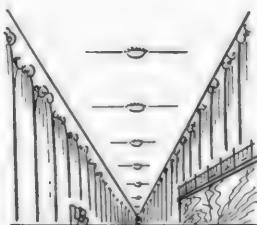
. . . They couldn't find him



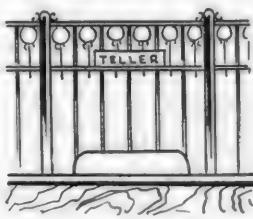
So they gave up and went back to the bank, and who was the first person they saw?



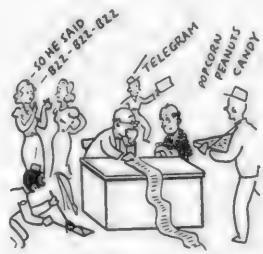
Mr. Jones!



He was sitting on the cold stone, looking at the marble . . .



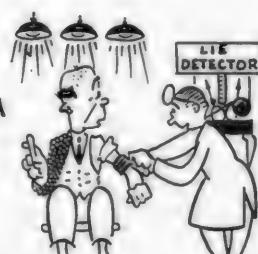
. . . and the brass . . .



. . . and listening to the loan officer interviewing an applicant



The interview was being picked up by the public address system



The credit report examiners were there



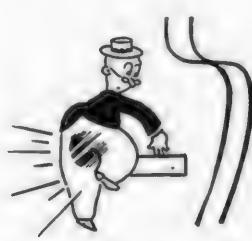
Mr. Jones would look at either the ceiling or his shoes



Mr. Jones was scared to death as he sat . . . sat . . . sat



A stenographer who likes to make wisecracks said to herself:



"That fellow's pants are so shiny from sitting there that I need dark glasses when he gets up"



At length the vice-president asked, "Where is Mr. Jones?"



Mr. Jones had gone home

The Old Buildings in Your Town

Private Enterprise Has a Job To Do

THOMAS H. REED

Mr. REED is an authority on municipal affairs, including the question of "blighted areas" which he discusses here. He has previously contributed to BANKING.

We call it Sample City. It is neither very large nor very small. Its population is about 200,000. Its growth has been normal. In the 50 years preceding 1930 its population increased approximately 180 per cent. In the same period, however, its area was enlarged 350 per cent. The population of the present metropolitan area whereof it is the center, which has been unaffected by changes of city boundaries, grew in the same 50 years about 140 per cent.

But over what was once a picture of growth has now settled a pall of stagnation. Since the turn of the century the older sections of the city have shown an increasing tendency to lose inhabitants. So strong has this movement become that in the last ten years the total population within the city limits apparently has increased only about 1 per cent, although its newer sections are still growing rapidly. At the same time, the population of the suburban area around the city has been growing fast—over 40 per cent increase from 1930 to 1940. In this respect at least almost every city in the United States has had a similar experience.

Sample City had a building boom in the 1920's; it reached its peak in 1923 when 2,700 building permits were issued for construction estimated to cost \$15,640,000. But the depression paralyzed construction. In 1933 only 910 building permits were issued for repairs and new construction, estimated to cost scarcely over \$1,000,000. From this low point there has been a slow but steady recovery to about 1,500 permits a year valued at from \$4,000,000 to \$5,000,000.

CURRENT annual increments of value by construction and reconstruction can hardly make up for buildings which have been torn down in large numbers in the central portions of the city and for the depreciation of those remaining. In other words, Sample City is today barely holding its own. Assessed valuations which at best are arbitrary assumptions of value rose steadily from 1920 to 1930, declined somewhat in the depression, and showed only a slight upward movement in the late 1930's.

What is happening is shown even more clearly by comparing the number of new buildings constructed in the city and in its environs during a recent five-year period. In the city, 792 residential buildings, including 100 two-family houses, and 325 commercial, industrial and public and semi-public buildings, were erected. The figures for the environs are incomplete but they show

2,142 single-family houses, two multiple dwellings and 50 commercial, industrial and semi-public buildings. Sample City is falling behind as a residential area, its older districts are losing population, and its newer sections are not keeping pace with the suburbs in residential construction. It remains the commercial and industrial center, but its development along these lines in recent years has not made up for its residential retreat.

The results of this situation are even more clearly apparent to the casual observer from outside than to the inhabitants. Outside the main business area and extending for many blocks in every direction, blight has laid its heavy hand. Still stately mansions carry in their windows the unfailing sign of decline, "Furnished Rooms." Here and there a home has become an antique shop or a cleaning and pressing station. Here and there an unfilled cellar-hole bears witness to the owner's desire to avoid paying taxes on a costly dwelling which can no longer earn that much in rent. Here and there a filling station occupies a corner. Along the more important arteries are rows of dingy "taxpayers," tenanted by miserable merchants caught in the vicious circle of cheap rents and small patronage. On the side streets one sees ragged lawns, sagging porches and the bedraggled doorways of decrepit houses. And, scattered among the evidences of ruin and decay, an occasional well-kept home struggles to maintain its pride.

You may never have visited Sample City, but this description of the condition of some 50 per cent of its residential area will not surprise you. Such blighted districts are the common heritage of American cities. There are many reasons for them. The most fundamental, perhaps, is a trait of American character which makes us impatient with everything old or obsolete. Except for a few sentimentalists, we don't want an old house, even a comfortably reconditioned old house. This tendency, which seems inherent in the American character, has been supported, at least in Sample City, by more substantial considerations. Faulty zoning practice has been the Trojan Horse by which filling stations and other businesses have filtered in to break up residential peace and quiet. Modern taste is no longer satisfied with gregarious living in closely built-up blocks. It demands *lebensraum* for growing children. Also, skyrocketing assessed valuations have had a lot to do with driving the owners of more modest city homes to seek cheap land and low taxes in the more plebeian suburbs.

Sample City already is 12.3 per cent occupied by commerce, industry and railroads, while its blighted residential area fills another 12.5 per cent. It may be hard to take, but there is just no hope that 25 per cent

of its present area will ever be needed by business. In fact, unless some new industrial impulse intervenes, the city cannot profitably use for business any more of its area than it is now using.

This is a grim situation for an old and normally self-satisfied American city. It is tough from the civic point of view because declining real estate values in the blighted sections threaten the tax base. Rates of taxation have got to go up or municipal services have got to come down.

It is tough, too, from the point of view of the owners and mortgage holders in the blighted section who see the value of their investment shrinking daily as from a malignant wasting disease. The City Fathers propose to solve the tax base problem by annexing some of the rapidly growing suburbs. If—and it is a big if—they can overcome the obstacles to annexation, they may be able to maintain city revenues at a safe level. But there is no such simple solution for the home owners, banks and insurance companies, which have large investments in the rapidly spreading area of blight.

THE present tendency is to look to government for a solution. Why not a slum clearance and housing project with the aid of the United States Housing Authority? Sample City has so far declined to organize a housing authority and has been severely criticized in some quarters for its conservatism. But if it had done so and taken its share of Federal largesse for low rent housing, it would have met only a mere minor fraction of its problem. Slums, in the true sense, occupy but a small portion of Sample City. In this respect it is a normal community and nowhere have subsidized low rent housing operations made any appreciable dent in such slums as do exist.

Sagacious Sample Citians know that public housing can scarcely palliate and certainly never solve the problem of restoring and stabilizing real estate values in its extensive blighted districts. They know that if it is to be done at all, it must be done by private capital seeking to make a profit, or—what may amount to the same thing—minimize a loss. Local, state and national government can each render some effective assistance. But the initiative, they realize, must come from private enterprise. Unfortunately, although they know so much, the people of Sample City have made no concerted attack upon this, their greatest economic problem—in both of which respects, it must be regrettably admitted, they have shown themselves to be a perfectly typical American community.

Some Federal Housing Authority guaranteed loans have been used with good effect to restore individual properties. But by far the greater number and amount of such loans, including all those for large projects, have gone into building new homes in the outskirts, to that extent promoting the outward movement of population and intensifying the depression of real estate in the older sections. A number of people have got better homes to live in, and individual banks have made some profitable super-safe guaranteed loans. But the community as a whole, and banking as a whole, have not advantaged by it.

Now what advice would you give to the people of Sample City? What would you do in your own city if

you had the courage of your convictions really to start something? Your first thought would be to stabilize the values of homes on the border line of blight, in areas where decisive action can arrest decay.

How about the recent suggestion of the United States Chamber of Commerce for the creation of neighborhood protective and improvement units for "preservation of high standards in newly developed areas and for purposes of rehabilitation in blighted areas?"

These neighborhood units can be encouraged to back "clean up and paint up" campaigns which will have a beneficial effect on property values and neighborhood morale. The desire thus stimulated for putting homes in repair and supplying them with the new gadgets for comfortable living will furnish profitable opportunities for sound bank loans, each of which can not only be a good loan in itself but strengthens the value of the security behind every other loan in the district. Such a program has the same effect on residential blight that spraying fruit trees has on the pests which ruin a crop.

Reconstruction of deeply blighted areas can be carried on successfully only by large-scale operations based on sound planning and adequate financing. Something can be done, perhaps, by directing public housing projects into the blighted areas. Too often the elusive lure of cheap land takes them to the outskirts, only deepening the blight on the built-up portions of the city.

WHEN public housing has done its best, the major part of the job will still be left to be done by private enterprise. Inducements must be offered for large-scale projects. The right of eminent domain needs to be brought into play to circumvent greedy or obstinate owners. Otherwise, there will be no reasonable chance of assembling large and compact tracts. A partial exemption from taxation, covering the new value added to property by reconstruction or remodelling, might well be added as a further inducement. On the other side, private corporations with such powers should be subject to regulation as to their plans and financial operations.

This does not cover the whole story. There are other things that need to be done by government on all its levels, by capital as represented by banks and insurance companies, by the enterprise of material men and contractors, and by organized labor. Private enterprise housing is caught in a net as intricate as that which reduced to helplessness the lion of Aesop's fable. It cannot break out by main strength. There has got to be patient cutting of the strands, one by one. There is need of better planning and zoning. Restrictions must be placed on premature suburban subdivision. Building codes need modernization. Labor-employer-material men rackets need to be suppressed. A faulty wage policy, with emphasis on rates rather than on earnings, needs to be replaced by a sound policy that will give labor jobs and contractors contracts.

But the discussion of such reforms and their effect on housing must be left to some other occasion. It will be enough for one day if we have persuaded a handful of Sample Citians, in and out of the real city we have used as our text, of the nature of the problem of blight, of their responsibility toward it, and of a few of the purely local measures which can be taken to counteract it.

Houses Wear Out, Too

A Promotion Campaign for FHA Loans

RICHARD H. WELLS

Mr. WELLS is Assistant Cashier of the State-Planters Bank and Trust Company, Richmond, Virginia.

FIRE engines go screaming down the street, sirens grinding out a grim reminder that somebody's property is threatened with destruction. A crowd gathers to watch the firemen do their stuff. Tons of water are thrown into a blazing building. The fire is brought under control but only after a heavy toll in damage has been taken. The crowd is thrilled by the exploits of the firemen. The papers carry pictures and a racy story.

Spectacular stuff! That's what drew the crowd. The same men and women walk by scenes of property destruction which are just as deadly, just as sure, just as costly, every day and never turn their heads. Unnoticed work of property destruction is going on in the 50 million buildings in this country under the guise of depreciation and obsolescence. And, in comparatively few of them are property owners keeping their buildings repaired and modern.

This is one of the factors that influenced our bank in developing and conducting an advertising campaign designed to call the attention of property owners to the fact that houses, like shoes and clothing, wear out. Incidentally, we said a silent little prayer that as people read this advertising material, it would induce them to come into *our* bank and arrange to finance their property repairs and modernization.

ASIDE from any selfish motive our bank might have in promoting repair and modernization loans, isn't there an opportunity in this direction to display some of the financial leadership and qualities we've heard so much about recently? In thousands of cases a man's home represents the biggest asset in his personal balance sheet.

The majority of property owners are not going to set aside from their current income a sum sufficient to care for depreciation. That's expecting too much of human nature. But when a property owner installs a new heating system and obligates himself to pay for it so much each month over a period of two or three years, in more than 99 cases out of each 100 he will do it. And these obligations make good loans.

As this is written, we are in the midst of a 60-day advertising campaign to sell the people of Richmond on the necessity and desirability of keeping their property repaired and modern. Incidentally, we are offering the services of our bank to this end through the medium of FHA Title I loans. To get this story over we are using just about every advertising medium available locally.

The base of our campaign is newspaper advertising. This consists of two 40-inch ads a week. In these we use



An effective display used by the State-Planters Bank and Trust Company to advertise its Title I loans

the analogical method to get the story over, simply and in a way which can be quickly grasped by almost everyone. For instance, the first ad was illustrated with a bird building a nest. The copy stated briefly that birds build each Spring, rear their families, then move out. It goes on to say that the habits of man aren't so simple; that he builds for greater permanency, and, therefore, should keep his home repaired and modern.

We have been using a 50-word spot announcement each morning preceding the European war broadcast on a 50,000-watt radio station. We are also on a smaller station with two 100-word announcements each day and two 15-minute programs each week. We are using three-color placards in our tellers' windows, tying in with our newspaper ads. There have been two statement enclosures and two outdoor billboards. One of these, commanding Richmond's busiest corner, is animated with an old gent peddling a high-wheel bicycle. He is known as the Chairman and the copy on the board is presented as his wise counsel. We have sent a letter to local architects and household supply dealers, telling of our plan and how it can be of service to them in getting more jobs and in financing the sale of their products. Payroll envelopes distributed to employers have been devoted to FHA loans. The messages on our Audichron, which answers thousands of calls each month, have reminded callers that State-Planters makes FHA loans. Our own FHA seal is overprinted on every letterhead used during this period. We are also circularizing property owners with a personal letter and folder. As a clean-up, we are offering our non-titled staff members 10 per cent of the gross discount on every loan they bring in.

Results? Don't know yet, but we made more FHA Title I loans in June than in any month since April 1936.

Insurance for Borrowers

HAROLD G. EBERLE AND HORACE W. ERVIN

This article—the authors' last in a series on insurance for banks—discusses the banker's interest in insurance carried by commercial borrowers. In response to requests for reprints, the entire series will soon be prepared for reading and reference in booklet form.

Mr. EBERLE is manager of the insurance department, Hartford-Connecticut Trust Company, and Mr. Ervin is account executive, Albert Frank-Guenther Law, Inc., New York advertising agency. Mr. Ervin is a specialist in insurance company accounts.

CAN the banker freely exercise the right to test the adequacy of insurance carried by borrowers? This important administrative question has never been given uniform assent by the collective bank mind. But that a consensus favoring inquiry into borrowers' coverage is rapidly being shaped is evidenced in a number of ways.

Kenneth C. Bell, second vice-president of The Chase National Bank, New York, voiced current bank sentiment in speaking recently before the American Management Association Insurance Conference in Atlantic City. Said he: "Except for those relatively few instances where the banks themselves have a direct insurable interest in the business, they should have no voice whatsoever in the arrangement of the insurance coverage of their customers. But the picture does change, and change materially, when bank financing among other things comes into play and the bank advances the funds with which to consummate the business transaction out of which the customer is to enjoy a profit. . . . The bank then has a very substantial stake in the business venture and that stake should be adequately protected to the extent and for the duration of its existence."

Now BANKING contributes materially to thought on the subject with a new survey that breaks down bank viewpoint on borrowers' insurance. Its high 70 per cent return on questionnaires sent to 200 representative institutions reveals a stiffening attitude on the part of bankers as regards borrowers' protection. Asked, for example, if they required borrowers to furnish data on their insurance, 129 of 141 banks said "yes". In response to a second question, 92 out of 125 said that such an inquiry was likely to require a survey or adjustment of coverages. In these answers are reflected (1) the increasing realization of banks of the importance of insurance in strengthening loan security and (2) banks' knowledge of their right to apply a fine-tooth comb to borrowers' insurance as well as financial statements.

Question No. 3 of the survey is of present importance in disclosing that 79 of 125 banks indicate an interest in a large number of specific insurance forms.

The viewpoint is perhaps not an extravagant one that too many bankers do *not* take sufficient steps to interro-

gate borrowers on whether they have insurance and whether it is adequate and in proper form. This departure from an otherwise strict check-up of factors affecting financial standing can, in large part, be pinned to general unfamiliarity with insurance contracts; and in practically every instance there is an institutional unwillingness to be cast in the role of dictating to borrowers on insurance coverage. There is the practical aspect, too. Many fear the possibility of driving a good loan to the bank down the street by arousing a borrower's antagonism with a detailed insurance inquiry.

Undoubtedly, enough consideration is not given to the likelihood that the average borrower, if handled diplomatically, can be made to see the mutual advantage in laying his insurance cards on the table. The approach to this result is through the medium of a prepared, impersonal form on which the borrower lists his coverages.

This "statement of insurance" is the exact counterpart of the financial statement. Both are submitted for the bank's inspection and study. The insurance statement is by all means of sufficient moment to warrant treatment as a separate form, and not merely as an appendage or afterthought to the financial statement in a manner suggesting the yes-and-no quiz: *Do you carry insurance?* Answer "yes" or "no".

GRANTING the need for an insurance statement as an instrument to help strengthen the security of loans, two questions suggest themselves: (1) What should such a statement contain? and (2) How can the statement be presented to the borrower to arouse willing cooperation? In answer to question (1) an outline of coverages is suggested below:

Statement of Insurance Coverages

BORROWERS' BUSINESSES vary—so do their insurance needs. The following check-list of coverages should not, therefore, be considered as arbitrary, final or exactly applicable to every commercial loan applicant. Such a statement, however, may serve as the instrument through which the borrower's "insurance condition" can be tested.

1. Fire insurance	Amount	Insurable value	Rate of coinsurance
a. Building	_____	_____	_____
b. Machinery and fixtures	_____	_____	_____
c. Stock	_____	_____	_____
2. Supplemental endorsements added to fire policy			
		Yes	No
a. Extended coverage endorsement or equivalent (adding wind-storm, hail, explosion, etc.)	_____	_____	_____
b. Demolition clause	_____	_____	_____
c. Improvements and betterments	_____	_____	_____
3. Use and occupancy insurance		Profits and commissions	
Amount	Type	Amount	Type

	<i>Check type carried</i>	<i>Limits</i>	
4. <i>Public liability insurance</i>			
a. Owners', landlords' and tenants'	_____	_____	
b. Manufacturers' and contractors'	_____	_____	
c. Products	_____	_____	
d. Elevator	_____	_____	
e. Contractual	_____	_____	
5. <i>Steam boiler insurance</i>			
Coverage	_____	_____	
Objects covered	_____	_____	
6. <i>Workmen's compensation and/or employer's liability insurance carried</i>			
Name insurance company	_____	State fund? _____	
Self insured?	_____	_____	
7. <i>Sprinkler insurance</i>	<i>Yes</i>	<i>No</i>	
a. Are buildings sprinklered?	_____	_____	
b. List types and amounts of insurance carried	_____	_____	
8. <i>Fidelity bonds</i>			
a. Number of employees covered	_____	_____	
b. Amount of bond	_____	Type of bond _____	
9. <i>Auto or truck liability insurance</i>	<i>Own cars</i>	<i>Hired cars</i>	<i>Contingent</i>
a. Liability limits	_____	_____	_____
b. Property damage limits	_____	_____	_____
c. Collision insurance	_____	_____	_____
Collision insurance deductible	_____	_____	_____
10. <i>Business life insurance</i>	<i>Amount</i>	<i>Yes</i>	<i>No</i>
a. Partnership coverage	_____	_____	_____
b. Amount carried	_____	_____	_____
c. Amount assigned for loans	_____	_____	_____
d. Name of beneficiary	_____	_____	_____
11. <i>Name companies in which insurance is carried</i>	_____	_____	_____

The answer to question (2) as to how the statement can best be broached to win the borrower's willing cooperation presents its own obstacles that vary with situations and personalities. But undoubtedly least friction will be met with when the inquiry is kept on an *impersonal* basis. The best solution would rest in the adoption by all banks of a uniform statement, so that both need and reasonableness of the inquiry would be at once apparent to the borrower.

USE AND OCCUPANCY INSURANCE

ONE OF the most important coverages touched upon in the insurance statement shown and one that is rapidly coming into its own, is *use and occupancy insurance*.* This form is in the species of coverages—being pushed more and more by insurance companies—that reimburse not *direct* loss, but *indirect* or consequential loss. Claude D. Minor of the Royal-Liverpool Groups has lucidly defined this coverage as "a form of insurance designed to protect the owner of a business against the loss of earnings due to the interruption or suspension of the business because of damage to or destruction of the physical property, used and occupied by the insured in the conduct of the business, as the result of fire or other hazard insured against." If fire destroys

* Use and occupancy insurance has many aliases. Some of its other designations are business interruption, business continuity, earning power, prospective earnings, net earnings and, in England, profits insurance.

"Insurance on Business Earnings" is the title of an article on this subject by J. V. Herd, vice-president of the Fire Association of Philadelphia, published in *BANKING* for June 1939.

a factory, the fire policy will replace. But what about earnings and goodwill that have been or may be interrupted, cut off, as a result of this hazard? At this point, "use and occupancy" steps in and indemnifies for loss of net profits and fixed expenses.

The lending bank is naturally interested in the continuance of its borrower's prospective earnings, as the source from which the loan is to be repaid. The coverage has several different forms in use in various sections.

For ready identification it is interesting to note some of the existing forms:

1. *Straight per diem*—the most popular form. Depending upon whether a business is operated on the 5, 6 or 7 day week, indemnity is limited to 1/250th, 1/300th or 1/365th of the total insurance for each day of shutdown.
2. *Fluctuating per diem*—used where the fluctuations of daily limits are arranged to take care of seasonal shutdowns or change in pace of business activity.
3. *Straight weekly*—indemnity is limited to each week of shutdown to 1/50th or 1/52nd of the total amount of insurance.
4. *Fluctuating weekly*—variations in business activity controlled by using different limits of indemnity on certain weeks during the year.
5. *80% Co-insurance form*—contains no weekly limit of indemnity, but the assured has to carry up to 80 per cent of gross earnings less ordinary payroll, light, heat and power expenses.
6. *100% Co-insurance form*—similar to the 80 per cent, but 100 per cent coverage required.
7. *Gross earnings form*—this type is considered one of the best. Indemnity includes payroll, normal charges and expenses. Insurance must equal 50 per cent to 80 per cent of gross earnings (net sales less merchandising cost plus other business income).

The technicalities of "use and occupancy" forms are endless and dependable advice as to the exact type needed by a given borrower should be obtained. There is a form of insurance to some extent similar to "use and occupancy." It is known as *profits and commissions* and covers loss of profits expected from the sale of goods already manufactured and stored awaiting delivery, while "use and occupancy" indemnifies for the loss of net profits that would have been earned had there been no interruption of business.

Authors' Acknowledgment

To KENNETH C. BELL, second vice-president, Chase National Bank, and CLAUDE D. MINOR, Director of education, Royal-Liverpool Groups of insurance companies—both of whom read and made suggestions for the seven manuscripts of this series—the authors express their grateful appreciation. Thanks for helpful suggestions are also due:

Aetna Fire Insurance Company; Aetna Life and Affiliated Companies; Hartford Fire Insurance Company; Hartford Accident and Indemnity Company; National Fire Insurance Company; The Phoenix Insurance Company; Travelers Insurance Companies; V. F. Wilcox, Jr. (R. C. Knox Insurance Agency, Hartford, Conn.); Richard T. Wood and E. P. Apgar, American Surety Company; Kenneth H. Dunshee, The Home Insurance Company; M. Craig, Globe Indemnity Company.

Gold's War Diary

A Chronology of Recent Events

APRIL 10: *New York*. Now that some of the smaller nations are beginning to realize the danger to their gold stocks involved in being neighbors of Germany, more active defense steps are under way. Denmark has got about half its gold reserve of \$53,000,000 out of Germany's reach; Norway has sent abroad \$30,000,000 of its \$90,000,000; Sweden has abroad at least half its \$218,000,000.

APRIL 13: New York. "Our exceptionally large gold imports in March must not be considered in the light alone of payment for international debts, but of the wish of European nations to build up safe credits in the United States. . . . When it is remembered what the invading Nazis did with the gold in Austria, Poland and Czechoslovakia, the motive for placing in safe custody the bank reserves of other neutrals becomes manifest. . . .

"The contrast with 1916 is striking. Our gold imports in that year were considered large, but they were less than one-fifth of what we received in 1939, and the Commerce Department reported in 1916 practically no gold imports from European neutrals, as against more than \$600,000,000 which came from that source last year."—*Editorial, New York Times*

APRIL 13: London. Hitler, according to advices here, will find little gold in the bank vaults of Norway and Denmark. Scandinavian bullion, it is revealed, has been secretly flown to England and deposited in the vaults of the Bank of England. Denmark and Norway are said to have sent \$150,000,000, all told, while some is also leaving Sweden.

MAY 6: Washington. A survey of Japan's financial structure after the drain of three years of war in China indicates that its gold reserves have fallen below \$100,000,000, although the Central Bank lists its holdings at \$164,000,000, unchanged since December 1938. Japan paid \$200,000,000, largely in gold, for goods purchased in the United States in 1939. American officials are somewhat mystified as to where she gets the gold, since her annual production is only about \$60,000,000.

MAY 11: Washington. April figures of the Department of Commerce show that European neutrals are still sending gold here. This month, however, Norway and Denmark are missing from the list. They have, of course, been swallowed by Germany.

MAY 14: London. The Allies probably have gained more gold as a result of the Nazi invasion of Scandinavia and the Low Countries than Germany. According to officials here, the gold of these countries, "already largely transferred to New York or London, has become

to all intents and purposes part of the Allied war chest." Latest available figures on gold reserves show that Norway has \$84,000,000, Denmark \$53,000,000, Belgium \$626,000,000 and The Netherlands \$690,000,000. From January through March, alone, The Netherlands shipped \$47,000,000 to the United States, Norway \$33,000,000, Sweden \$115,000,000, Belgium \$974,000.

MAY 18: Washington. With reports of Allied reverses in Europe, America's holdings of more than two-thirds of the world's monetary gold stocks are causing increasing concern. The question is being asked whether a Nazi victory might not seriously jeopardize the value of the metal which is the bulwark of capitalism. Secretary Morgenthau, however, takes a philosophical view of it. Says he:

"If the political picture should undergo a drastic change . . . so that instead of fifty or sixty independent nations we had only one or two groups, then international trade and finance may assume the character of domestic trade. There would cease to be independent monetary systems as there would cease to be independent foreign policies. . . . Under such circumstances it might well be that gold would no longer be needed. But under those circumstances life would be so different that the possible loss in the value of the gold would, I am sure, be the least of our troubles."

JUNE 3: New York. In a special supplement to its "Monthly Letter" the National City Bank discusses the future status of gold. While admitting that no one can predict the future, the bank raises the question whether Hitler will be as quick as some people assume to throw over gold as an instrument of money policy. Arguments against this are: (1) The gold tradition; (2) the superiority of gold as a means of settling balances over any other device yet invented and, (3) the vested interest in gold, which will still exist even though it may be transferred.

The only alternative to gold, observes the bank, would be complete government regimentation of foreign trade, "with all the cumbersome and stifling mechanisms of clearing agreements, blocked currencies and the like."

JUNE 5: New York. The greatest inpouring of gold to reach this country in one movement—estimated in financial circles at between \$350,000,000 and \$500,000,000—has arrived here from England and France this week. It was shipped from England and France by way of Canada.

In banking circles it is said that all the gold in the central banks of England and France at the time of the invasion of the Low Countries—around \$3,000,000,000—would soon be in North America. Up to recently, shipments from these countries have been for the purpose of building up a fund to purchase war supplies. But the

present movement is quite different. It is for the purpose of keeping the gold from falling into the hands of a Germany whose military might is growing more and more impressive.

The Department of Commerce estimates foreign earmarked gold here at \$1,287,000,000. This is over and above the \$19,200,000,000 that the United States Government owns.

JUNE 11: Washington. The Treasury's gold, representing more than 70 per cent of the world's monetary gold stocks, is being fully utilized even though buried in the ground, says the Federal Reserve Board in its June *Bulletin*. (The article in question is aimed at disabusing the public of the notion expressed in the frequent use of the phrase, "our useless gold". As to the fact that the gold is "buried in the ground", that, explains the Board, is not evidence of the fact that it is performing no useful purpose, but of the Government's desire to protect it.)

JUNE 21: New York. The Federal Reserve statement just issued shows that the gold stock of the United States rose during the week ended June 19, by \$342,000,000, the largest weekly rise in history (except for the "paper" rise in the first week of February 1934 when the price of gold was marked up to \$35 an ounce). On one day the rise was \$261,000,000, easily a record for a single day.

Two weeks ago, it will be recalled, approximately \$500,000,000 of gold arrived here in one consignment, by way of Canada. The bulk of this was placed under earmark, however, so it did not swell this country's monetary stocks. Two solutions are suggested—or two explanations—for the present rise in the gold stocks. One is that the British Government is expanding its purchases in this country so rapidly that it has chosen to sell a large amount of gold to take care of its needs for dollars. The other is that the huge sales of gold are related to the predicament of the French. By selling the metal and transferring the dollar proceeds to other hands the resources involved might be put beyond Germany's reach.

JUNE 25: New York. Authoritative sources quoted by the Associated Press estimated yesterday that Germany may have captured as much as \$1,850,000,000 in gold in the conquest of France—and the whole treasure may be under water. The most recent reports indicate that France has \$1,250,000,000 in gold in the rocky labyrinths under the Bank of France. To that store is supposed to have been added \$600,000,000 in gold hastily removed from Belgium when that country was invaded. About \$500,000,000 French gold is believed to be stored outside France.

JUNE 25: Berlin. Elimination of gold as a basis for European currencies and elevation of the reichsmark to the rank of standard currency for future Continental economy—this is the ambitious plan fostered by the victorious termination of the war on the Continent, according to an editorial in the *Deutsche Bergwerks-*

zeitung, influential organ of the Ruhr coal and steel interests.

"The gold standard has for us only historical interest," notes this publication, adding that "gold has become an intra-American problem." Proponents of the idea of making the reichsmark the standard currency of Europe admit, however, that *gold cannot be entirely eliminated, inasmuch as no other means exists for the final settlement of balances in international trade*, even though most of this trade can be carried on in the form of barter.

JULY 2: Washington. Gold imports in June broke all records, according to the Department of Commerce. In the four weeks ended June 26 the total was \$1,157,648,000. For the week ended June 26 alone the total was \$418,236,631. (This was not a record. The largest weekly import was that of the week ended June 5, when it totaled \$532,477,333.) France alone shipped \$241,575,998 in this week (June 26). This probably represents the metal that came over on the American cruiser *Vincennes*.

JULY 5: Washington. Gold in the vaults of the Treasury or its agencies crossed the \$20,000,000,000 figure today. Incidentally, the bulk of the gold is piled up in the Treasury and the New York Reserve bank; not, as generally supposed, at Fort Knox. Only \$5,500,000,000 is at present in that repository.

The figure of \$20,000,000,000 plus does not represent all the monetary gold in the country. For gold under earmark, which is not included because it is not owned here, totals another \$1,725,318,548.

JULY 11: London. The Germans in France have issued a decree placing under German control *all gold and securities*—in those parts of France occupied by the Germans. The view here is that these regulations constitute a violation of the terms of the armistice, which conceded all local administration to the French. It is said here that the French have the same feeling, and that General Maxime Weygand has protested the order.

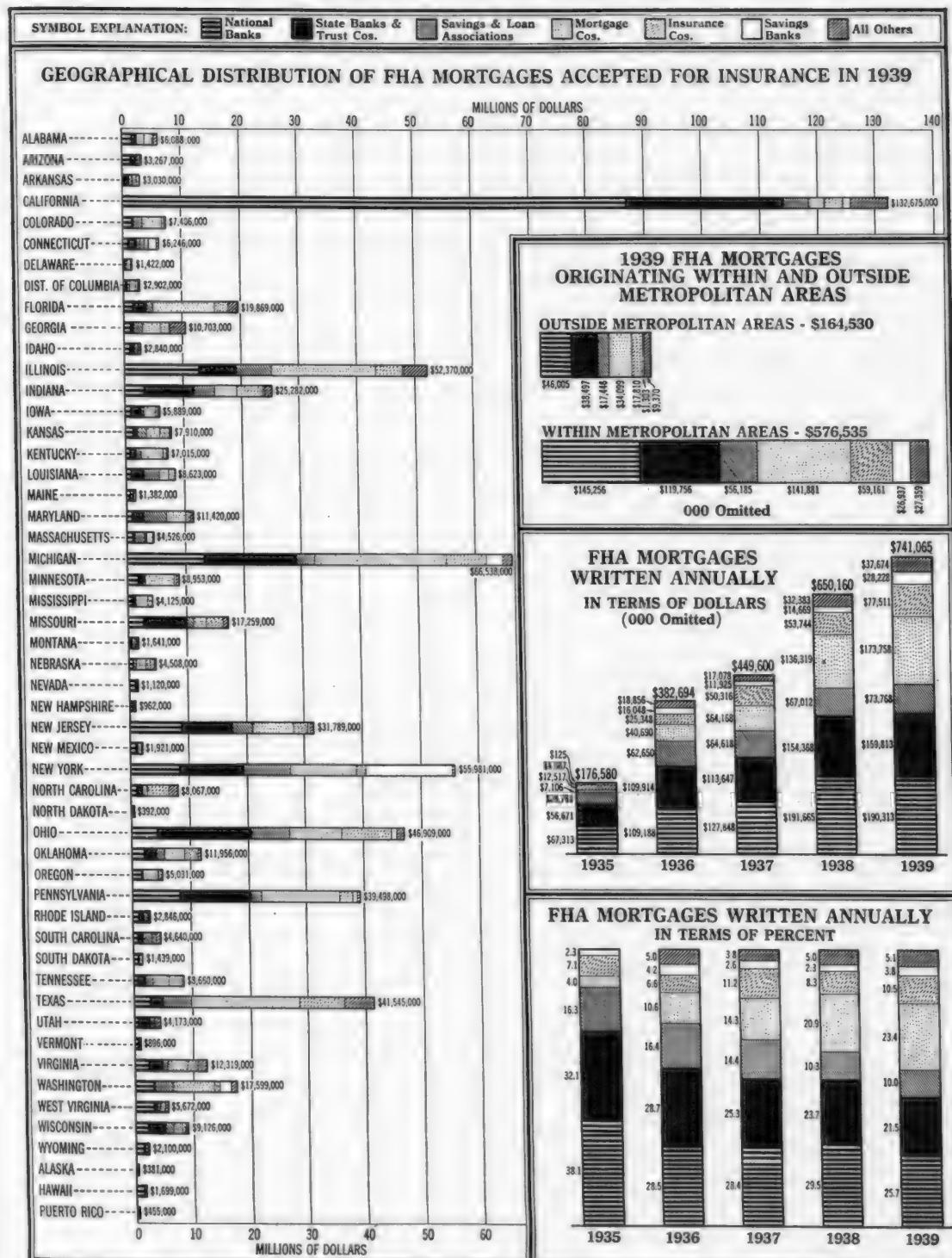
CHANGES IN THE GOLD STOCK OF THE U. S. A.
(In millions of dollars)

	1939	Net				Total at end of Period
		Domestic Gold Output	Net Gold Imports	Change Through Earmark*	Increase in Gold Stock	
August.....	14.1	259.9	152.1	407.6	16,646	
WAR						
September...	15.7	326.1	2.8	285.9	16,932	
October....	18.5	69.7	79.5	159.9	17,091	
November...	14.8	168.0	90.9	267.1	17,358	
December...	13.2	451.2	-200.8	285.1	17,644	
	1940					
January....	13.6	236.4	40.0	287.5	17,931	
February...	11.4	201.4	37.0	246.0	18,177	
March.....	12.1	459.8	-213.4	256.0	18,433	
April.....	13.0	249.9	67.2	336.9	18,770	
May.....	14.0	435.1	-36.7	439.0	19,209	
June (est.)....	1,129.7	-456.4	662.3	19,871**	

* Figures preceded by (—) represent amounts placed under earmark, other amounts released from earmark.

** On July 10 the figure was \$20,166,000,000.

The Geography of FHA Mortgages



SOURCE: FEDERAL HOUSING ADMINISTRATION

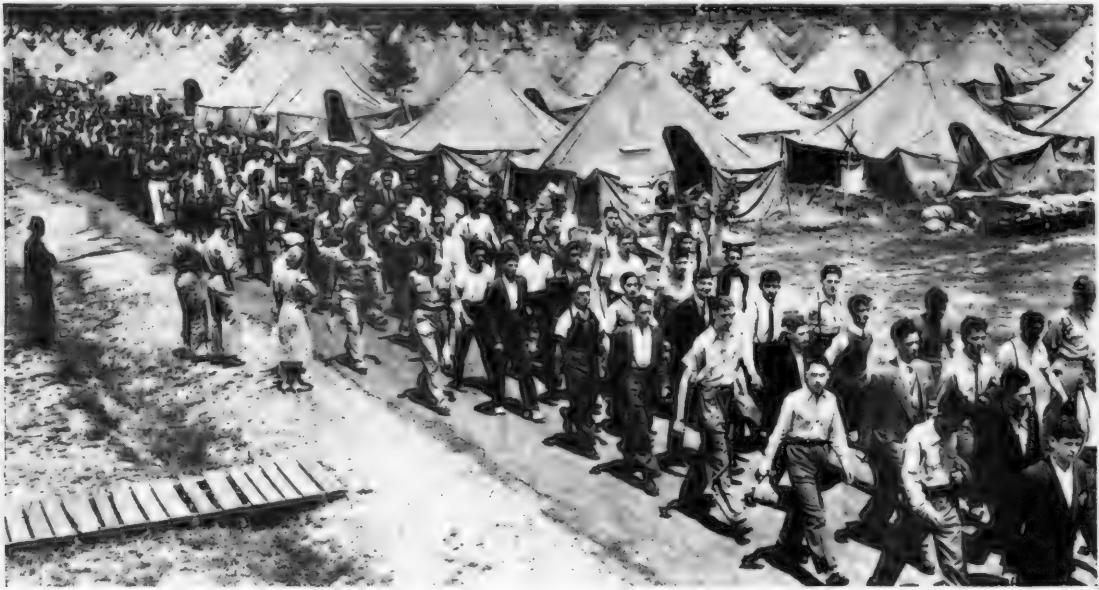
The Defense Account

AMERICANS often disagree on important matters, but **A**mericans can be depended upon to get together when an emergency comes along.

The national defense program, which we hope is peace insurance, has the country's unanimous support,

and Congress seems willing to sign a blank check for billions to finance it.

On these pages are pictures that suggest the gigantic task Uncle Sam is undertaking—a task in which the banks will have an important share.



INTERNATIONAL

SOLDIERS FOR A MONTH—A scene at Camp Dix, New Jersey, as young men move in for 30 days of CMTC training

LIFE LINE—Gatun Locks and a section of the Panama Canal, key point of our defenses



INTERNATIONAL
BANKING



HARRIS & EWING

CONSCRIPTION?—General George C. Marshall, Army Chief of Staff, center, and the co-authors of the conscription bill, Representative James W. Wadsworth, left, and Senator Edward R. Burke

LABOR—Labor Defense Commissioner Sidney Hillman, center, has appointed a Labor Policy Advisory Committee. Left, V. A. Bittner, United Mine Workers; right, D. W. Tracy, International Brotherhood of Electrical Workers



HARRIS & EWING

WAR DEPARTMENT—Henry L. Stimson, left, and Senator Morris Sheppard, chairman of the Senate Military Affairs Committee which questioned Mr. Stimson prior to his confirmation as Secretary of War

RESEARCH—Dr. Vannevar Bush, president of Carnegie Institution, was appointed by President Roosevelt as head of the National Defense Research Committee, consisting of scientists and Army and Navy representatives



WIDE WORLD

CONFERENCE—Civilian aides to the Secretary of War and representatives of the Army corps areas conferred with Department officials



WIDE WORLD



WIDE WORLD



EUROPEAN

"LIBERTY RUBBER"—Now that the dogs of war have been mechanized, rubber's indispensability increases. The synthetic kind, made in Akron, is adaptable to commercial production



EUROPEAN

HELP WANTED—The Army started a drive for recruits even before Congress started talking about a plan for compulsory military training

MEN WANTED—The largest naval building program in our history means that shipyards from coast to coast must work at full capacity



EUROPEAN
BANKING



Flying cadets learn the care of their engines and the meaning of dots and dashes

Reserve officers of the naval air force brush up on machine gunnery



One Banker's Century

JOSEPH W. RICKERT, president of the Commercial State Bank of Waterloo, Illinois, was 100 years old on July 9 and the whole town turned out to do him honor. The Waterloo Chamber of Commerce had charge of the festivities, which included a reception, a serenade by the town band, and a banquet attended by 300 guests. William A. Irwin, Educational Director of the American Institute of Banking Section, American Bankers Association, was the dinner speaker. Many bankers attended.

Mr. Rickert was born at Vicksburg, Miss. In 1845 his family moved to a farm near what is now Waterloo. A graduate of St. Louis University, he has been active in public service and in 1882 helped organize the bank he has headed for many years.



Mr. Rickert



MANY HAPPY RETURNS!—At the town birthday dinner, *above left to right*, Henry W. Gentsch, president of the Chamber of Commerce; Mrs. J. F. Schmidt, wife of the executive vice-president of the State Bank of Waterloo; Mr. Rickert; and

Nelson Rickert, his son. *Below*, Mr. Rickert thanks his friends.

"I was born under the eighth president of the United States," he said, "and cast my first vote for McClellan. . . . I never thought I was an old man and I don't think I am now."





RECORDAK can make the difference between overtime and regular time

FACING further increases in operating overhead, more and more banks are turning to Recordak Photographic Systems for important operating cost reductions.

In thousands of banks, large and small, Recordak takes over the time-consuming routine that, during peak loads or vacation periods, formerly worked a hardship on the employees.

Many banks that thought their accounting system was most efficient have been surprised at the great economies which Recordak made when installed in their departments. Savings are as much as 45% net in Bookkeeping Department operating expense, 50% in the Transit Department, 50% in stationery, 40% in machine equipment, and up to 98% in storage space.

Recordak Systems are extremely flexible—installed with such a generous allowance for increased volume that the staff handles peak loads with little extra effort and in far less time.

No capital outlay is required to bring Recordak efficiency and economy to any bank. Bank-trained representatives will help you plan, install, and maintain a Recordak System geared to your individual requirements.

Thirteen conveniently located offices assure prompt, attentive service. For further information write Recordak Corporation, Subsidiary of Eastman Kodak Company, 350 Madison Avenue, New York, N. Y.



Bank Model Recordak. Rental \$25 per month. For speeding up the transit operations and for photographing paid checks for the protection of banks and depositors.



Reversible Recordak. Rental \$30 per month. Photographs both sides of checks and larger bank forms at a single operation—and does this at lightning speed.



Recordak Junior. Rental \$12.50 per month. For smaller banks, and special departments of large banks (tellers' cages, safe deposit vaults, trust and filing departments, etc.).

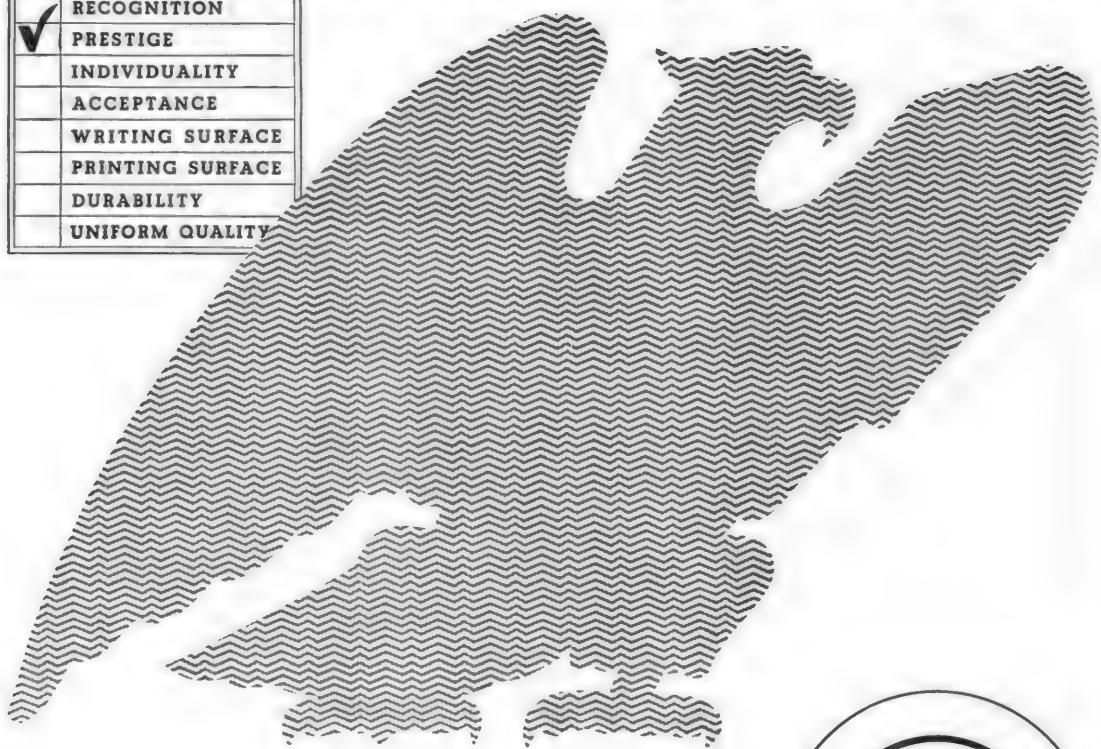


Commercial Recordak. Rental \$30 per month. For photographing all bank forms. Widely used for the Recordak system of single posting and other specialized applications.

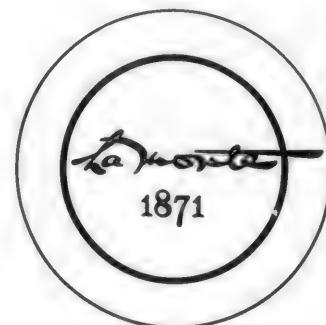
RECORDAK PHOTOGRAPHIC ACCOUNTING SYSTEMS

REASONS WHY BANKS PREFER LA MONTE SAFETY PAPERS	
PROTECTION	
GOOD WILL VALUE	
RECOGNITION	
<input checked="" type="checkbox"/> PRESTIGE	
INDIVIDUALITY	
ACCEPTANCE	
WRITING SURFACE	
PRINTING SURFACE	
DURABILITY	
UNIFORM QUALITY	

P R E S T I G E



The American Eagle, incorporated in the design of our
 National Coat of Arms and The Great Seal of the United
 States, has, through long usage, become an established
 symbol of Federal authority » » » Similarly, 69 years of
 public service has given the "safety paper with the wavy
 lines" widespread recognition as America's standard
 of protection for checks and other negotiable instruments.



GEORGE LA MONTE & SON, NUTLEY, N. J.

Simplified Forms

The Savings Department

THE primary functions of a savings teller are: (1) accepting deposits; (2) honoring withdrawals; (3) custody of cash; (4) maintaining individual savings accounts ledger; (5) calculating and posting interest credits.

Accepting Deposits

Opening of new accounts should be handled by an officer. This procedure involves: (a) procuring signature card (Illustrations 1 and 2); (b) acquainting customer with rules and regulations; (c) procuring appropriate supporting papers,—for example, references, resolutions, certificates of qualification, etc.; (d) issuing pass book (Illustration 3); (e) preparation of initial deposit ticket (See Illustration 13, January issue).

NOTE: Although the initial deposit ticket is prepared by the officer opening the account, the customer should be requested to prepare all subsequent deposit tickets, for the obvious advantages of having deposit tickets in the customer's own handwriting as a matter of internal check and of saving the teller's time.

When the officer turns over the various papers to the savings teller, the teller should:

1. Assign an account number to the pass book, executed signature card, and ledger card (Illustration 4).
2. File ledger card (by number), and signature card (alphabetically). If signature card has not been completely executed, place temporary card (Illustration 5) in signature card file, pending receipt of the completed signature card.
3. Handle initial deposit in accordance with procedure for routine deposits outlined below.

The savings teller, in accepting deposits, should:

1. Examine and count cash.
2. See that items deposited are properly endorsed and are correctly described on the deposit ticket; also that correct account number is shown on deposit ticket. Place identifying teller's stamp on items deposited.

DISCUSSION INVITED

THE keynote of President Hanes' program of ACTION this year is "Know Your Bank". This nation-wide study of simplified operating forms—comprehensively reported each month in BANKING—is something very close to the center of the Hanes program.

This discussion of forms began in January and will continue in future issues of BANKING.

The material this month is again taken from a study, *Standard Forms and Systems as Suggested by the Virginia Bankers Association*.

3. Prove deposit ticket.
4. Enter amount of deposit in pass book; or, in absence of pass book, authenticate a duplicate deposit ticket, pending entry in the pass book when next presented.
5. Place deposit ticket, cash, and items deposited in cash drawer, pending posting and settlement at end of day.

NOTE: Postings to the ledger cards may be made immediately, or may be deferred until the close of business.

Miscellaneous deposits (received from proof and transit) arising from collections, transfers from checking accounts, etc., should be handled as follows:

1. Enter pencil notation of amount of items received from proof and transit in "outside" debit column opposite "Proof and Transit" on teller's settlement sheet.
2. Make sure that advice of credit is sent customer, pending entry in the pass book when next presented.
3. Place credit ticket in cash drawer, pending posting and settlement at end of day.

NOTE: Although it is possible for the savings teller to receive miscellaneous credits direct from other tellers, the above procedure has been outlined on the assumption that the general practice is to route these items through proof and transit in order to maintain a central control.

Honoring Withdrawals

EXERCISE PROPER precautions with respect to: identity of customer; sufficiency of customer's balance (by reference to ledger card); signature; date; agreement of amount in body and figures; alterations; correct account number shown on withdrawal order.

Place teller's stamp on face of withdrawal order. Make entry for withdrawal on pass book. Disburse cash for amount of withdrawal order, and place withdrawal order in cash drawer, pending posting and settlement at end of day.

CERTIFYING SAVINGS CHECKS FOR CUSTOMERS

EXERCISE PROPER precautions with respect to: identity of customer; sufficiency of customer's balance (by reference to ledger card); signature; date; agreement of amount in body and figures; alterations; correct account number shown on check.

Prepare two-part certification form (Illustration 15, January issue), debit to savings account and credit to "certified checks". (The credit ticket sent through the settlement to general ledger can act not only as the posting medium but also as a register of certified checks.)

Certify check.

Make entry for withdrawal on pass book.

Place both certification forms in cash drawer, pending posting and settlement at end of day.

NEGOTIATED SAVINGS CHECKS (UNCERTIFIED)

NEGOTIATED SAVINGS checks may be presented for payment over-the-counter or by other banks. In all such cases, the customer's pass book must accompany the check.

Enter pencil notation of such checks as are received from proof and transit in outside "credit" column opposite "Proof and Transit" on teller's settlement sheet.

Exercise proper precautions with respect to: identity of person presenting; sufficiency of drawer's balance (by reference to ledger card); correctness and genuineness of endorsements; signature; date; agreement of amount in body and figures; alterations; stop payment or other special instructions; correct account number shown on check.

Place teller's stamp on check; make entry for withdrawal on pass book; place check in cash drawer, pending posting and settlement at end of day; return pass book to customer at once.

Custody of Cash

CASH RECEIVED and paid out is proved on teller's settlement sheet. The teller's settlement sheet is prepared as follows:

1. Enter amount of previous day's cash (opening cash) opposite "Cash Balance Forwarded" on credit side.
2. Count, itemize, and total cash on hand on the back of teller's settlement sheet.
3. Enter total of cash on hand (closing cash) opposite "Cash Balance Today" on debit side.
4. Prepare debit ticket for general ledger control account, "Savings Deposits":
 - (a) Sort savings checks and withdrawal orders into numerical order.
 - (b) Total up savings checks, withdrawal orders, and account debits on back of a debit ticket. (Savings checks, withdrawal orders, and account debits should be retained in the savings cage.)
 - (c) Bring total forward to face, and complete debit ticket.
5. List on yellow $4\frac{1}{2}$ by 11" sheet all items deposited, and the general ledger debit to "Savings Deposits". The list and the debits should be delivered to proof and transit.
6. Enter in "inside" debit column opposite "Proof and Transit" the total of figures already noted in "outside" column for miscellaneous items, plus the total obtained in step 5 above.
7. Prepare and forward to proof and transit credit ticket for general ledger control account "Savings Deposits":
 - (a) Sort deposit tickets and account credits into numerical order.
 - (b) Total up deposit tickets and account credits on back of a credit ticket. (Savings deposit tickets and account credits should be retained in savings cage.)
 - (c) Bring total forward to face, and complete credit ticket.

(INDIVIDUAL ACCOUNT)

NAME	NO.
I hereby assent to the By-Laws, Rules and Regulations of THE BLANK BANK, BLANKVILLE, VA., as set forth in pass book of said institution furnished me, or published amendments thereto, and agree to be bound thereby.	
Signature	
Residence	
Occupation	
Reference	Date

ILLUSTRATION 1—Actual size 3" x 5"

(JOINT ACCOUNT)

NAME	NO.
I hereby assent to the By-Laws, Rules and Regulations of THE BLANK BANK, BLANKVILLE, VA., as set forth in pass book of said institution furnished me, or published amendments thereto, and agree to be bound thereby.	
Either one or both, or the survivor, to sign checks. The signature of either one on presentation of pass book to be sufficient for withdrawal of all or any part of the funds standing to the credit of the above account.	
Signature	
Signature	
Address	
Occupation	
Reference	Date

ILLUSTRATION 2—The American Bankers Association's Legal Department has recommended a joint account form with a phraseology different from that of the form illustrated. The A.B.A. form is explained in Opinion 1810 of Paton's Digest

THE BLANK BANK BLANKVILLE, VA.		No. _____			
Date	Withdrawals	Deposits	Balance	Teller	Remarks

ILLUSTRATION 3—Actual size (closed) 3" x $4\frac{1}{16}$ ". Consideration may be given to showing the rules and regulations on the signature card or in a separate folder. This should be helpful in making subsequent rules changes and reducing pass book costs

ILLUSTRATION 4—Actual size 5" x 8"

8. Enter in "inside" credit column opposite "Proof and Transit" the total of figures already noted in "outside" column, plus the total of general ledger credit ticket obtained in step 7 above.
9. Debit or credit other tellers covering inter-teller transactions, such as "buying" and "selling" of money, checks issued by one teller for another, etc.
10. Debit or credit "Difference Account" on teller's settlement sheet to cover "outs" in the cash.
11. The debit side of the teller's settlement sheet should agree with the credit side. Verify each total with proof and transit, and with each teller affected. (The amount debited on this sheet to proof and transit should agree with the amount credited on their sheet, etc.) Teller's settlement sheet should be dated and signed, and then delivered to general ledger bookkeeper for the purpose of posting cash and the difference account.

NOTE: Although it is possible for the savings teller to debit and credit general ledger, individual ledgers, etc., direct on the teller's settlement sheet, it is preferable to route such entries through proof and transit for distribution and consequent setting up of a central control.

Individual Savings Account Ledger

As indicated heretofore, individual ledger cards should be filed in numerical order. Filing of signature cards in alphabetical order enables the signature card file to serve as a cross-reference, inasmuch as the account numbers are shown on the signature cards.

Posting may be done by hand or by machine. As indicated previously, posting may be done as the transactions occur, or may be deferred until the end of the day.

Proof of postings may be established by: (1) listing "old balances" of accounts affected; (2) listing "new balances" of accounts affected; (3) proving "new balance" total by adding general ledger credit to "old balance" total and subtracting general ledger debit.

A trial balance of the savings ledger should be taken at least once every two months.

Inactive or dormant savings accounts should be removed from the active ledger at least once each year, and set up under the general ledger control for dormant savings accounts. Should dormant accounts so transferred later become active accounts, they should be reinstated to the active ledger.

"Stop payments", court attachments, lost pass books, etc., may be indicated by "flagging" the appropriate ledger card.

NAME	Please write Miss or Mrs. before ladies' name.	
ADDRESS		
Check class or classes you wish to join Deposit Each Week		
\$.50	get	\$95.00
\$1.00	get	50.00
\$2.00	get	100.00
\$5.00	get	250.00
CHRISTMAS SAVINGS CLUB THE BLANK BANK BLANKVILLE, VA.		

ILLUSTRATION 6—Actual size $3\frac{1}{2}'' \times 5''$

Deposits—Open Accounts" and regular "Savings Deposits" are: The regulations governing those who may open regular savings accounts are more restrictive than the regulations governing "Time Deposits—Open Accounts"; notice of withdrawal is mandatory for "Time Deposits—Open Accounts".

The records and procedure for handling "Time Deposits—Open Accounts" are, therefore, practically the same as those for regular savings accounts outlined heretofore. It is suggested, however, that in view of the infrequency of transactions, a separate general ledger entry be made for each transaction affecting the general ledger account "Time Deposits—Open Accounts"; that a distinctive pass book and ledger card be used; and that the ledger cards be filed in front of the regular savings ledger file.

Christmas Savings

ILLUSTRATION 6 is a combination application and signature card to be filled out by the customer. In the upper right-hand corner the number of the account should be noted, and the card filed alphabetically.

On the basis of the application card the teller enters the customer's name and address on the pre-numbered member's card (Illustration 7) and bank's ledger card (Illustration 7A). A separate series of numbers is used for each class (i.e., 50 cent class, \$1 class, etc.). The member's card is given to the customer, and the bank's ledger card is filed numerically.

Initial and subsequent deposits are handled by the teller, as follows:

1. Line up bank's ledger card and member's card.
2. "Post" both cards simultaneously by use of a "double-dater".
3. Place cash in cash drawer.
4. Return member's card to customer.
5. Place bank's ledger card in cash drawer pending settlement at end of day.

Prepare and forward to proof and transit at end of each day a credit ticket for the general ledger control account "Christmas Savings". Take cards out of cash drawer and sort numerically by classes (i.e. 50 cent class, \$1 class, etc.). Total up current day's deposits on back of a Credit ticket. Enter account numbers opposite amounts. Bring total forward to face, and complete credit ticket. After settlement, re-file ledger cards.

At maturity, prepare official checks for Christmas savings from ledger cards; prove total of checks with the general ledger control for "Christmas Savings"; prepare general ledger tickets for the total, (a) debiting the general ledger control account "Christmas Savings", and (b) crediting the appropriate general ledger account for the official checks issued; forward checks to customers.

NOTE: The above procedure is outlined on the assumption that no interest is allowed on Christmas savings accounts.

A trial balance of Christmas savings ledger cards should be taken off at least once a month by the Christmas savings teller, in addition to such trial balances as are taken off as a matter of internal audit.

Time Certificates of Deposit

ORDINARILY, THE transactions in time certificates of deposit are so infrequent that a general ledger entry may be made for each transaction.

It is probable that the great majority of banks record the issuance of a time certificate of deposit on a stub or in a bound register. The bank's record can be kept, however, on a duplicate of the original certificate of deposit, or on a ledger card filed in the front of the regular savings ledger cards. At the time of issuance, a general ledger credit to "Time Certificates of Deposit" is put through the daily settlement in the usual manner.

Upon payment, the original certificate of deposit is cancelled and filed in numerical order and entry is made on the bank's record of outstanding certificates.

Class 100 Filed Members Card							
1146							
Name							
Address							
Payment No.	Date Paid	Bank	Wkds Due	Total Paid	Wkds	Total Paid	Wkds Due
1	1/00 DEC	1,000.00	1/00	29			
2	3/00 1/24	2,000.00	2/00	27			
3	1/00 1/24	3,000.00	1/00	29			
4	1/00 1/24	4,000.00	1/00	29			
5	1/00 JAN	5,000.00	1/00	30			
6	1/00 JAN	6,000.00	1/00	31			
7	1/00 JAN	7,000.00	1/00	32			
8	1/00 1/24	8,000.00	1/00	33			
9	1/00 JAN	9,000.00	1/00	26			
Total							
10	1/00 FEB	10,000.00	1/00	34			
11	1/00 FEB	11,000.00	1/00	36			
12	1/00 MAR	12,000.00	1/00	37			
13	1/00 MAR	13,000.00	1/00	38			
14	1/00 MAR	14,000.00	1/00	39			
15	1/00 MAR	15,000.00	1/00	40			
16	1/00 MAR	16,000.00	1/00	41			
17	1/00 MAR	17,000.00	1/00	42			
18	1/00 MAR	18,000.00	1/00	43			
19	1/00 MAR	19,000.00	1/00	44			
20	1/00 APR	20,000.00	1/00	45			
21	1/00 APR	21,000.00	1/00	46			
22	1/00 MAY	22,000.00	1/00	47			
23	1/00 MAY	23,000.00	1/00	48			
24	1/00 MAY	24,000.00	1/00	49			
25	1/00 MAY	25,000.00	1/00	50			

Class 100 Filed Bank Card							
1146							
Name							
Address							
Payment No.	Date Paid	Bank	Wkds Due	Total Paid	Wkds	Total Paid	Wkds Due
26	1/00 MAY	26,000.00	1/00	51			
27	1/00 JUNE	27,000.00	2/00	52			
28	1/00 JUNE	28,000.00	3/00	53			
29	1/00 JUNE	29,000.00	4/00	54			
30	1/00 JUNE	30,000.00	5/00	55			
31	1/00 JUNE	31,000.00	6/00	56			
32	1/00 JUNE	32,000.00	7/00	57			
33	1/00 JUNE	33,000.00	8/00	58			
34	1/00 JUNE	34,000.00	9/00	59			
35	1/00 JULY	35,000.00	10/00	60			
36	1/00 AUG	36,000.00	11/00	61			
37	1/00 AUG	37,000.00	12/00	62			
38	1/00 AUG	38,000.00	13/00	63			
39	1/00 SEPT	39,000.00	14/00	64			
40	1/00 SEPT	40,000.00	15/00	65			
41	1/00 SEPT	41,000.00	16/00	66			
42	1/00 SEPT	42,000.00	17/00	67			
43	1/00 SEPT	43,000.00	18/00	68			
44	1/00 OCT	44,000.00	19/00	69			
45	1/00 OCT	45,000.00	20/00	70			
46	1/00 OCT	46,000.00	21/00	71			
47	1/00 OCT	47,000.00	22/00	72			
48	1/00 OCT	48,000.00	23/00	73			
49	1/00 OCT	49,000.00	24/00	74			
50	1/00 OCT	50,000.00	25/00	75			

ILLUSTRATION 7 (extreme left)
—Actual size 3 $\frac{5}{8}$ " x 6", on green card

ILLUSTRATION 7a (immediate left)—Same size as 7, on yellow card

Next month's BANKING
will discuss forms for
Loans and Discounts

The Legal Answer Page

Bank Indorsement

DOES the customary bank indorsement, which guarantees all prior indorsements, cover a missing indorsement?

IN 1919 the General Counsel of the A.B.A. rendered an opinion that in the absence of authority if the question was squarely raised, it would be decided that guaranty of previous indorsements covered missing indorsements. (See Paton's Digest, Volume 1, Opinion 2799.) In 1930 this question was presented to the Appellate Term of the New York Supreme Court, Second Department, and the General Counsel's opinion was confirmed and cited as authority. See *City Trust Company v. Botting, et al.* (1930) 139 Misc. 684, 248 Supp. 204. In that case the defendant Botting had funds on deposit with the plaintiff and drew checks thereon to the order of Industrial Securities Company. The checks did not bear the indorsement of the payee but of the Industrial Bankers' Corporation. These checks were deposited with the Times Square Trust Company and presented by it through the Federal Reserve Bank stamped "All prior indorsements guaranteed" and were paid by the plaintiff. The court held that the plaintiff was liable to the defendant Botting in the amount charged to his account and that the Times Square Trust Company was liable to the plaintiff on its guaranty of indorsement.

Loan Limitations

IS THE obligation of a surety on a loan within the limitations on total loans to one borrower set forth in Section 5200 of the United States Revised Statutes? [This section is applicable to national banks.]

THE United States Supreme Court has passed upon the question whether the word "liabilities" in Section 5200 includes any liability as surety or indorser. In *Corsicana National Bank v. Johnson*, 40 Supreme Court Reporter 82, the court stated: "We are advised that by the practice and administrative rulings of the Comptroller of the Currency during a long period, if not from the beginning of national banking, liabilities which are incurred by one person avowedly and in fact as surety or as indorser for money borrowed by another are not included in the computation. We feel constrained to accept this as a practical construction of the section; . . ."

Safe Deposit Rentals

WHEN does the increased rate of tax on safe deposit rentals, provided in the Revenue Act of 1940, become effective?

THE 1940 Act imposes "a tax equivalent to 11 per cent of the amount collected for the use of any safe deposit box." The effective date of the original act was defined in the Regulations [Article 30 of Regulations

42] as follows: "The tax attaches to any amount paid on or after June 21, 1932, for the use after such date of any safe deposit box defined in Article 31."

A doubt arose in the minds of many safe deposit men as to whether the effective date of the new rate would be determined in the same manner. That is, if the rental were collected in advance prior to July 1, covering a period subsequent to that date, would the old rate of 10 per cent apply? Likewise, if the rent collected were for a use-period expiring before July 1, would the old rate apply? In other words, would the new rate only apply to rentals collected after July 1 for use subsequent to that date? Counsel for the New York State Safe Deposit Association put this question to the United States Collector of Internal Revenue. Deputy Commissioner Bliss replied that, "All amounts paid July 1 or thereafter (until July 1, 1945) for the rental of safe deposit boxes are subject to tax at the rate of 11 per cent, whether the period covered is prior to July 1 or wholly or partly after June 30, 1940."

Joint Accounts

CAN a bank properly charge a matured note of one of the joint owners of an account against the account?

IT IS the general rule that the indebtedness of a bank upon a joint account cannot be set off or applied upon the individual indebtedness of one of the joint depositors.

If it can be proved that while the account was in the names of John Doe and James Doe, it belongs solely to John Doe, then the right to apply his money in the account might be upheld, as the bank's liability for the amount of deposit is with the real owner regardless of the name under which the deposit is made.

Taxation

IS IT true that beginning with the taxable year 1940 capital gains and losses will be treated differently from previous years?

YES. The Revenue Act of 1939 amended the capital gain and loss provisions, the change to apply to taxable years beginning after December 31, 1939. Banks were placed in the same category as other corporations for capital gain and loss purposes. Beginning with the calendar year 1940 or fiscal years beginning in 1940, long-term capital losses, that is, losses on capital assets held for more than 18 months, may be deducted from the bank's other income. In the case of short-term capital losses, that is, losses on assets held for not more than 18 months, these are deductible only from short-term capital gains for the year. If in excess of the gains, such excess may not be deducted from other income but becomes a net short term capital loss carry-over and may be applied against short-term capital gains of the following year in an amount not exceeding the net income of such preceding year.



Your Taxes



THE REVENUE ACT OF 1940

DONALD HORNE

Mr. HORNE is a member of the New York Bar and has been a specialist in tax law for many years. Readers' comments and suggestions on tax matters are invited.

THE COUNTRY has been suddenly aroused, by the military successes of the totalitarian aggressors in Europe, the prospect of the rapid spread of the war, and the disclosure of modern methods of warfare on a scale beyond any previously contemplated, to the urgent necessity of speedy and adequate defense. Enormous appropriations have been made, others are in prospect, and the situation required the immediate increase of revenues, to furnish a basis for further Government borrowing to the extent of about 4 billion dollars in excess of the previous debt limit of 45 billion dollars. The result was the enactment, on June 25, 1940, of the Revenue Act of 1940, the purpose of which, as stated in the preamble, is "to provide for the expenses of national preparedness by raising revenue and issuing bonds, to provide a method for paying for such bonds, and for other purposes".

Plan of the Revenue Act of 1940

The Revenue Act of 1940 contains tax increases and provisions of two classes, those of a permanent nature and therefore not specifically identified with the emergency preparedness program, and those labeled "defense taxes", limited to a period of five years. The latter are, in some instances, superimposed upon the former; hence are two increases in rate of the same tax.

The Corporation Income Tax

Thus the basic corporation income tax rate is raised by a permanent amendment from 18 per cent to 19 per cent and by a defense increase of 10 per cent of the 19 per cent, so that the new income tax rate for corporations is 19 per cent plus 1.9 per cent, or 20.9 per cent. All other corporate and individual income tax rate increases, as well as increases in other kinds of taxes, are of this same double character.

The permanent increases in corporation rates consist of adding 1 per cent of net income to each existing rate, plus 10 per cent of the now permanent rate. The new rates may be summarized as follows:

Normal tax net income	New Rate (including Defense Tax)
(1) Over \$25,000	20.9%
(2) Under \$25,000	
First \$5,000	14.85%
\$5,000 to \$20,000	16.5%
\$20,000 to \$25,000	18.7%
(3) Slightly over \$25,000	
First \$25,000	\$3,775 plus \$377.50, or \$4152.50
Over \$25,000	33% plus 3.3%, or 36.3%

The defense tax of 10 per cent of the rate as permanently amended, applies only to taxable years beginning after December 31, 1939, and before January 1, 1945.

Capital Stock and Excess Profits Taxes

The capital stock tax and excess profits tax are each increased by 10 per cent of itself for five years. The provision permitting declaration of increased, but not decreased, adjusted declared value for the taxable year ended June 30, 1940, remains unchanged, and the defense tax increase may have an important bearing on whether to make such election.

Income Tax on Individuals

There is no increase in the normal tax rate on incomes of individuals except the defense tax of 10 per cent of the normal tax. Surtax permanent increases begin with net incomes of \$6,000, reach their peak at net incomes of from \$44,000 to \$56,000, where the increase is 13 per cent. The actual increases in surtaxes is best shown by a table, which is confined to the items of increased rates, as follows:

Surtax Over	Net Income Not Over	Increase	New Rate	Plus Defense Tax
\$6,000	\$8,000	1%	6%	6.6%
8,000	10,000	2	8	8.8
10,000	12,000	3	10	11
12,000	14,000	4	12	13.2
14,000	16,000	6	15	16.5
16,000	18,000	7	18	19.8
18,000	20,000	8	21	23.1
20,000	22,000	9	24	26.4
22,000	26,000	10	27	29.7
26,000	32,000	11	30	33
32,000	38,000	12	33	36.3
38,000	44,000	12	36	39.6
44,000	50,000	13	40	44
50,000	56,000	13	44	48.4
56,000	60,000	9	44	48.4
60,000	62,000	12	47	51.7
62,000	68,000	8	47	51.7
68,000	70,000	4	47	51.7
70,000	74,000	7	50	55
74,000	80,000	3	50	55
80,000	90,000	2	53	58.3
90,000	100,000	1	56	61

Taxes on Lower Incomes

Another permanent change of the greatest importance is the so-called "broadening of the base", which means the reduction of the specific exemptions for living expenses, thus subjecting lower incomes to taxation. This reform will render millions of citizens more conscious of their part and responsible interest in our democracy, and will add millions of needed revenue.

Returns are now required of married persons having a *gross* income of \$2,000 or more, and of single persons having a *gross* income of \$800 or more. Formerly, a married person was directed to file a return only when he had a *net* income of \$2,500 or more, or a *gross* income of \$5,000 or more. Similarly, a single person was directed to file a return only when he had a net income of \$1,000 or more, or a *gross* income of \$5,000 or more. The rule governing returns of a single person also applies to fiduciaries.

The specific exemptions are reduced by the new law from \$2,500 to \$2,000 for a married person and from \$1,000 to \$800 for a single person. Returns are therefore now required from many persons whose specific exemptions will cancel their gross income, and who will owe no tax whether or not they have allowable deductions. Besides affording the Government valuable statistical information, this requirement will render difficult the evasion of the income tax by the simple expedient of not filing a return, for *gross* income instead of *net* income will be the test of the requirement to file, and only the very low paid or entirely unemployed will be exempt from filing.

Withholding at the Source

The permanent and defense tax increases apply, beginning June 26, 1940, to the amount of taxes to be withheld and paid at the source. The former rate of withholding, 10 per cent, is increased to 15 per cent, and this is increased by the defense tax for a period of five years, by 10 per cent of itself, or to 16½ per cent. Neither increase affects tax rates governed by treaty. The 5 per cent withholding rate with respect to Canadians, fixed by treaty, is not changed, and the 10 per cent limitation on withholding of dividends only, payable to individuals or corporations resident in Sweden, provided by treaty, remains.

Stamp Taxes

Of special interest to banking and other financial houses are the following stamp taxes, limited to the period from June 30, 1940, to July 1, 1945:

Subject	Prior Rate	Defense Tax
Bonds, issue	10¢ per \$100 or fraction	11¢
Bonds, transfer	4¢ per \$100 or fraction	5¢
Deeds	50¢, \$100 to \$500 50¢ each \$500 or fraction	55¢ 55¢
Stocks, issue	10¢ per \$100 or fraction, par value	11¢
Par value	10¢ per share	11¢
No par value	(If actual value is more than \$100 per share, 11¢—instead of 10¢—per \$100 or fraction of actual value; if less than \$100 per share, 3¢—instead of 2¢—on each \$20 or fraction.)	11¢
Stocks, transfer	4¢ per \$100 or fraction (If selling price is \$20 per share or more)	5¢
Par value	5¢ per share	6¢
No par value	4¢ per share (If selling price is \$20 per share or more)	5¢
Safe deposit boxes	5¢ per share 10%	11½

Estate Tax and Gift Tax

In the case of an estate tax, the computation is made under the prior law, to completion, including deduction of the credits for state inheritance tax and gift tax; then, in the case of a decedent dying on or after June 26, 1940, and before June 26, 1945, the tax so arrived at is increased by 10 per cent of itself.

The defense tax also applies to the gift tax, but for a period longer than five years, beginning June 26, 1940 and ending December 31, 1945.

Special Taxes and Excise Taxes

In addition to the above, certain special taxes, such as the tax on improper accumulation of surplus, the tax on personal holding companies, and the tax on transfers to avoid the income tax, are increased to 110 per cent of the taxes computed at prior rates. Excise taxes on sales are increased by 10 per cent and in some cases considerably more. For example, the tax on gasoline is increased from 1 cent per gallon to 1½ cents per gallon, an increase of 50 per cent; and the taxes on tractor and truck chassis and on automobile parts and accessories are raised from 2 per cent to 2½ per cent, an increase of 25 per cent in rate.

The excise taxes which, by provisions of the Internal Revenue Code, were to expire or be reduced in 1941, are continued until 1945 and the rates increased.

Radical increases in cigarette and liquor taxes, in some cases exceeding 10 per cent, have been made for the five year period. The stamp tax on playing cards is increased from 10 cents to 11 cents per pack.

National Defense Fund

Title III of the Act provides that the increases in taxes made and floor stock taxes imposed, not including revenue attributable solely to extension of taxes about to expire and taxes on admissions charges over 40 cents, are to be set aside quarterly in a special fund for retirement of national defense obligations authorized by section 302. This section amends section 21 of the Second Liberty Bond Act, which previously limited the public debt (bonds, certificates of indebtedness and Treasury bills and notes issued) to 45 billion dollars outstanding at any one time. The amendment permits a further indebtedness of 4 billion dollars, by a series of obligations to be designated "National Defense Series".

The economic basis of such tax burden must, however, be taken into account. The problem demanding solution is appalling. A survey published by the Guaranty Trust Company on May 27, 1940, before the Act was enacted, showed that typical corporations pay out from 40 to 50 per cent of their income before taxes in direct taxes. It concluded that taxation in the United States "is approaching, if it has not already reached" the stage where productive effort ceases to be worth while and industry slows down.

The problem is not political. The defense preparation program is inevitable, and the industrial machine must not be allowed to slow down. With our almost unlimited natural resources, adequate labor supply, and national ingenuity, it must be possible to meet both requirements.

The Behavior of Savings Accounts

HILDA M. HOFFMAN

Miss HOFFMAN is statistician of the Bowery Savings Bank, New York City.

SINCE 1927 the Bowery Savings Bank has been continuously analyzing its accounts in one way or another. These analyses have been designed to answer a variety of questions concerning the behavior of accounts under different economic conditions so that changes in policy may be effected with some assurance as to the ultimate results.

The method employed in each analysis has been determined by the size of the sample necessary to get reliable results and the frequency with which the analysis should be repeated. In case it is desirable to have the analysis repeated as often as once a year, it has been possible after a period of experimentation to eliminate less important details and extend the analysis to all the accounts without resorting to the sampling method. This is especially true of the classification by size. Approximately 50 per cent of all the accounts are under \$500, and by placing them in one group and dividing those of \$500 and over into six groups, it is possible to check the number of accounts and amount of deposit liability in each of the seven groups in a short time. This classification is done from the interest ticklers at the close of each year's first quarter.

ALTHOUGH this particular study is limited to seven groups, it does not follow that the bank is uninterested in more detailed information about the size of its accounts. It has found that occasional analyses in which the accounts under \$500 are subdivided into nine groups and the accounts of \$500 and over are divided into 12 groups provide a reliable basis from which any desired interpolations can be made. These occasional analyses into 21 groups are not made primarily for the purpose of studying the size of accounts, but are incorporated in studies made for other purposes, whenever their inclusion is helpful in solving a particular problem.

One of the Bowery's studies should be of interest to all banks contemplating an analysis of their accounts. It consisted of breaking each of the 21 groups by size into seven groups by degree of activity, and charting the results. The figures were collected in 1938 covering the activity in 20,484 accounts during the last half of 1937. The following seven activity groups were used: 19 debits and over; 13 to 18 debits; 7 to 12 debits; 2 to 6 debits; one debit; credits but no debits; and no transactions. The reason for this grouping was to show how large a part of the active accounts had only one debit in a six months' period and how the number of accounts with no debits compared with the number having debit transactions.

The tabulations reveal the results obtained by this

analysis. Table I shows the distribution of the 20,484 accounts by size; Table II, the number of accounts in each group, by size and degree of activity; and Table III the percentage distribution by degree of activity per account.

TABLE I
DISTRIBUTION OF 20,484 ACCOUNTS BY SIZE OF BALANCE

Class	Amount of Balances	Number of Accounts			Per Cent of Total Accounts		
		Active	Inactive	Total	Active	Inactive	Total
A	\$ 1-\$ 4.99	155	1,555	1,710	.76	7.59	8.35
B	5-9.99	189	705	894	.92	3.44	4.36
C	10-24.99	349	700	1,049	1.70	3.42	5.12
D	25-49.99	418	490	908	2.04	2.40	4.44
E	50-99.99	643	543	1,186	3.14	2.65	5.79
F	100-199.99	922	670	1,592	4.50	3.27	7.77
G	200-299.99	651	463	1,114	3.18	2.26	5.44
H	300-399.99	567	386	953	2.77	1.88	4.65
I	400-499.99	475	309	784	2.32	1.51	3.83
J	500-599.99	490	481	971	2.39	2.35	4.74
K	600-699.99	318	249	567	1.55	1.21	2.76
L	700-799.99	340	217	557	1.66	1.06	2.72
M	800-899.99	261	202	463	1.28	.98	2.26
N	900-999.99	204	174	378	.99	.86	1.85
O	1,000-1,999.99	1,652	1,730	3,382	8.07	8.44	16.51
P	2,000-2,999.99	743	824	1,567	3.62	4.02	7.64
Q	3,000-3,999.99	431	417	848	2.11	2.04	4.15
R	4,000-4,999.99	241	310	551	1.17	1.52	2.69
S	5,000-5,999.99	136	292	428	.67	1.42	2.09
T	6,000-6,999.99	53	160	213	.26	.78	1.04
U	7,000 & up	61	308	369	.30	1.50	1.80
Total		9,299	11,185	20,484	45.40	54.60	100.00

TABLE II
DISTRIBUTION OF 20,484 ACCOUNTS BY SIZE AND DEGREE OF ACTIVITY

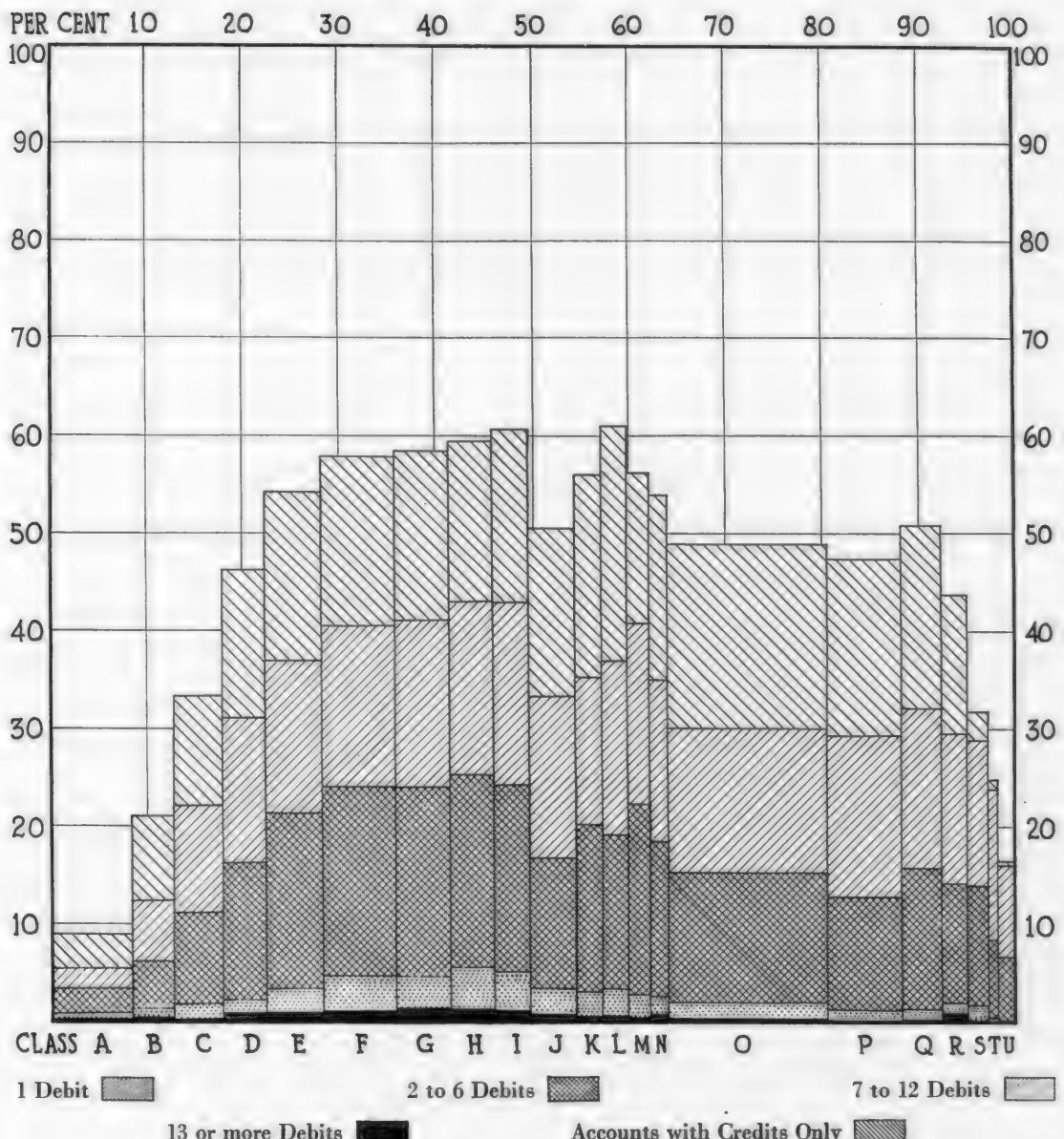
Class	19 Debits or More	13-18 Debits	7-12 Debits	2-6 Debits	One Debit	Credits Only	Total Active
		Debits	Debits	Debits	Debit		
A	0	3	11	44	36	61	155
B	3	1	8	43	56	78	189
C	2	1	17	97	115	117	349
D	2	6	12	128	135	135	418
E	4	7	28	215	183	206	643
F	6	12	58	306	263	277	922
G	7	9	35	216	191	193	651
H	3	10	40	188	168	158	567
I	3	7	29	151	146	139	475
J	5	3	26	129	161	166	490
K	1	3	14	97	86	117	318
L	1	3	15	88	99	134	340
M	0	2	11	90	86	72	261
N	0	3	7	60	63	71	204
O	6	9	54	451	500	632	1,652
P	2	0	18	182	259	282	743
Q	1	1	10	123	138	158	431
R	1	5	5	68	84	78	241
S	0	1	7	52	64	12	136
T	0	0	1	17	33	2	53
U	0	0	1	24	35	1	61
Total	47	86	407	2,769	2,901	3,089	9,299

TABLE III
PERCENTAGE DISTRIBUTION OF 20,484 ACCOUNTS BY DEGREE OF DEBIT ACTIVITY PER ACCOUNT

Class or More	(TOTAL NUMBER OF ACCOUNTS IN EACH CLASS 100%)						
	19 Debits	13-18 Debits	7-12 Debits	2-6 Debits	One Debit	Credits Only	Total Active
A	0%	.18%	.64%	2.57%	2.11%	3.56%	9.06%
B	.34	.11	.90	4.81	6.26	8.72	21.14
C	.19	.10	1.62	9.25	10.96	11.15	33.27
D	.22	.66	1.32	14.10	14.87	14.86	46.03
E	.34	.59	2.36	18.13	15.43	17.36	54.21
F	.38	.75	3.64	19.22	16.52	17.40	57.91
G	.63	.81	3.14	19.39	17.14	17.32	58.43
H	.31	1.05	4.20	19.73	17.63	16.57	59.49
I	.38	.89	3.70	19.26	18.63	17.73	60.59
J	.51	.31	2.68	13.29	16.58	17.09	50.46
K	.17	.53	2.47	17.11	15.17	20.63	56.08
L	.18	.54	2.69	15.80	17.77	24.06	61.04
M	0	.43	2.38	19.44	18.57	15.55	56.37
N	0	.79	1.85	15.87	16.67	18.78	53.96
O	.18	.26	1.60	13.34	14.78	18.69	48.85
P	.13	0	1.15	11.61	16.53	17.99	47.41
Q	.12	.12	1.18	14.50	16.27	18.63	50.82
R	.18	.91	.91	12.34	15.24	14.16	43.74
S	0	.23	1.64	12.15	14.95	2.80	31.77
T	0	0	.47	7.98	15.49	.94	24.88
U	0	0	.27	6.50	9.49	.27	16.53
Total	.23%	.42%	1.99%	13.52%	14.16%	15.08%	45.40%
							54.60%

BANKING

**PERCENTAGE DISTRIBUTION OF 20,484 SAVINGS ACCOUNTS BY SIZE
AND NUMBER OF DEBITS PER ACCOUNT**



The base line of the chart is made up of the percentages in the last column of Table I. The divisions within the bars are the percentages in Table II cumulated from the greatest activity to the least activity. All the space above the bars represents inactive accounts. It was necessary to combine the percentages for the group of 19 debits or more and 13 to 18 debits since the percentages in the first group were too small to show on the chart separately.

A chart of this kind shows exactly which accounts are the most active. The tables indicate that a minute

analysis has to be made of the available figures in order to construct such a chart, but experience has proved beyond a doubt that a careful analysis of a few basic sets of data is of more benefit than a casual survey of a varied collection of data.

For example, Table III shows that this bank has no problems as far as excessive debit activity is concerned. Only 2.64 per cent of all the accounts have more than one debit per month. By far the greater part of these accounts are over \$100 and the ratio of checks issued to total debits is only 19 per cent.

METHODS and IDEAS

This department of BANKING is conducted by our Methods and Ideas reporter, John J. McCann.

Bill-Paying Service

THE EMPIRE TRUST COMPANY (New York City) goes a step further in customizing checking facilities with a new special bill-paying service. Anyone may present his telephone, gas and electric bills at the bank with the cash to pay them, and the Empire Trust sends checks direct to each company in payment. The schedule of fees per bill is: From \$0.01 to \$2.50, eight cents; \$2.51 to \$5.00, 10 cents; \$5.01 to \$10.00, 13 cents; \$10.01 to \$20.00, 15 cents.

The revenue advantage of this plan lies in lump sum check payments of a volume of individual items.

Recreation Center

EMPLOYEES of The Citizens & Southern Bank System (Georgia) hailed the announcement of their new recreational center at the new Savannah Oglethorpe Club at Wilmington Island. Mills B. Lane, chairman of the board, purchased ten rooms on the ground floor to be available year-round without charge to the C. & S. family. Boating, bathing, fishing, golf, tennis—all headquartering



AMERICANA (See page 60)

The American Bank & Trust Co., New Orleans, has a billboard theme

at this swank country club—offer one of the most unusual vacation arrangements sponsored by a banking organization for employees. In addition to the 150-acre club tract, employees have the run of Skidaway Island, a 6,000 acre tract owned by the bank and located a short distance from the club.

Dividend Changes

VARIED COURSES have been taken by the several New York State mutual savings banks which declared dividends on July 1 at less than the annual 2 per cent rate.

Flat reductions to 1½ per cent were announced by six institutions: Emigrant Industrial Savings Bank and East River Savings Bank, Manhattan; Eastchester Savings Bank, Mount Vernon; People's Bank for Savings, New Rochelle; Port Chester Savings Bank; and the Rockaway Savings Bank.

Four institutions dropped the interest-from-day-of-deposit feature. The Bronx Savings Bank and the Citizens Savings Bank, Manhattan, substituted a straight quarterly basis, while the Emigrant Industrial Savings Bank and the Empire City Savings Bank adopted the plan of allowing interest from the first of the month following deposit—with three days of grace at the beginning of each quarter.

The Empire City Savings Bank also announced a graduated dividend policy which will pay 2 per cent on the first \$5,000 of the individual depositor's account and 1½ per cent on the amount between \$5,000 and \$7,500. No interest will be paid on balances above \$7,500, representing the accumulation of interest credits.

The Buffalo Savings Bank changed from the quarterly to semi-annual payment basis but retained the prevailing 2 per cent rate.

The Union Savings Bank of Westchester County at Mamaroneck is the first mutual institution in the state to adopt the much discussed split-dividend plan.

Hereafter the bank will pay 2 per cent on balances which have been on deposit for three or more years and 1 per cent on the remainder of its savings deposits.

CRAZY CLOCK (See page 59)

1,000 per cent more passers-by stopped to look at the window



Crazy Clock

WITH METHOD in its madness, a "crazy clock" stepped up window attention 1,000 per cent during its recent debut at the Morris Plan Co. of San Francisco. The hands of the clock rotate crazily in all directions until a passerby touches a designated spot on the window; whereupon the clock stops for an instant at the correct time before resuming its mad ramble. F. A. Collman, president, stated that during the first week the clock held an average noon hour crowd of from 45 to 65 in front of the window—about ten times the number attracted by displays normally used. Further evidence of its effectiveness, he said, was provided by a small card inviting spectators to step inside and get a free budget book; approximately 1,000 were distributed in the first seven business days.

Good-Neighbor Checks

THE MANUFACTURERS AND TRADERS TRUST of Buffalo issues an interesting special design check symbolizing Buffalo, its industries and attractions. Utilizing a Pantagraph design depicting the Buffalo skyline, the Peace Bridge, Niagara Falls, steel mills, airplane manufacturing, and power and shipping facilities, the checks have a real appeal to depositors both as an efficient instrument and as an opportunity to boom Buffalo under the slogan—"City of Good Neighbors". The new checks afford full protection against possible loss through alteration. They embody such safety features as a special paper stock not obtainable in the open market, sensitive inks, and a self-cancelling "void"—also insurance against loss by alteration for both bank and drawers of the check.

Thriftcheck

THE MIDDLESEX COUNTY NATIONAL BANK group in the Boston area has just announced the installation of "Thriftcheck" in five of its offices. This no-minimum-balance check plan differs from the older forms in that the entire cost is covered by a single charge of 7½ cents per check. Since there is no charge for deposits, and checks are purchased in advance (rather than charged for as issued by the depositor), the necessity of making these frequent deductions is eliminated. The Middlesex County National Bank group is affiliated with the Old Colony Trust Associates.

Consumer Credit

AN AID in consumer credit financing being used by many banks is a new form

of insurance coverage available under a master policy devised by Chubb & Son, New York, insurance underwriters and company managers who have long been prominently identified with bank insurance risks. The master policy written through banks in cooperation with local insurance agents and brokers automatically covers the double interest of bank and borrower on standard forms of protection—an attractive feature being that the bank's interest is protected even when the borrower violates policy conditions.

A new insurance program recently introduced by Chubb & Son is designed

to assist banks desiring to develop instalment credit business in financing automobile purchases.

Personal Loan Costs

THE MANUFACTURERS TRUST COMPANY (New York City) takes the bull by the horns with its new four-page circular entitled "What Is the Actual Cost of a Personal Loan?" Here the customer is given a complete picture of the bank's system of figuring charges for both co-maker and single signature loans. Copy points out that 90 per cent of all its personal loans are discounted at the low rate of 3½ per cent in ad-



The First National Bank of Chicago

Statement of Condition June 29, 1940

ASSETS

Cash and Due from Banks,	\$464,253,471.13
United States Obligations—Direct and fully Guaranteed,	
Unpledged,	\$321,697,706.50
Pledged—To Secure Public Deposits and	
Deposits Subject to Federal Court Order,	34,353,897.23
To Secure Trust Deposits,	38,882,397.20
Under Trust Act of Illinois,	<u>550,000.00</u> 395,484,000.93
Other Bonds and Securities,	78,077,479.23
Loans and Discounts,	264,807,145.87
Real Estate (Bank Building),	5,614,971.35
Other Real Estate,	1,105,245.24
Federal Reserve Bank Stock,	1,950,000.00
Customers' Liability Account of Acceptances,	2,180,671.60
Interest Earned, not Collected,	3,011,164.91
Other Assets,	<u>117,023.40</u> \$1,216,601,173.66

LIABILITIES

Capital Stock—Common,	\$30,000,000.00
Surplus Fund,	35,000,000.00
Other Undivided Profits,	5,075,902.09
Discount Collected but not Earned,	606,075.19
Dividends Declared, but Unpaid,	600,000.00
Reserve for Taxes, etc.,	1,934,586.07
Liability Account of Acceptances,	2,415,278.91
Time Deposits,	\$184,921,195.80
Demand Deposits,	880,286,474.35
Deposits of Public Funds,	<u>75,515,854.11</u> 1,140,723,524.26
Liabilities other than those above stated,	<u>245,807.14</u> \$1,216,601,173.66

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

vance, when endorsed by co-makers, collateralized, or made by prime personal loan names (preferred risks, teachers, executives and employees of Class A companies). Only 10 per cent of its loans are made on single signature risks at 6 per cent discount up to \$360.00. The folder illustrates costs with two charts for each type of loan covering a 12-month and 15-month period. The purpose of this frank discussion of rates is to disarm the dubious with facts.

Map

FOR THE JERSEY-bound vacationists, the Irvington National Bank (Irving-

ton, N. J.) has produced an attractive city map which shows the main arteries of Irvington, Elizabeth, and surrounding suburban districts. Photos of banking institutions, schools, department stores and sites of local interest illustrate one side of the map. Distribution is made by the bank through depositors and by key service stations in the area. This novel piece gathers good-will for the bank throughout the vacation months.

Americana

THE AMERICAN BANK & TRUST COMPANY of New Orleans recently offered through local display advertise-

ments three booklets on patriotic subjects as a complimentary gift to the 1940 graduates of schools and colleges throughout the state. The coupon response was overwhelming. More than 20,000 requests were received in a few weeks' time. The objective behind this timely good-will gesture was to familiarize the future citizens of the state with the traditions and ideals of Americanism as expressed in the three small volumes on the flag, the Constitution and the presidents. The patriotic motif has distinguished The American Bank advertising for several years past. The current billboard demonstrates one use of the theme.

Hobby Show

THE FIRST annual hobby show was staged recently by some 40 employees of the Lincoln-Alliance Bank and Trust Company (Rochester, N. Y.). A large well lighted room on the 14th floor of the bank building was given over to the exhibit, which embraced hobbiana from A to Z. Painting, photography, coins, stamps, dolls, statuettes, pistols, hooked rugs, miniature gardens, musical instruments and a hundred and one other items appeared in the collection. A small lobby card on the main floor led more than 800 customers to take the elevator to the top floor to view the exhibit. Their enthusiasm places the hobby show on the list of customer relations functions for the future.

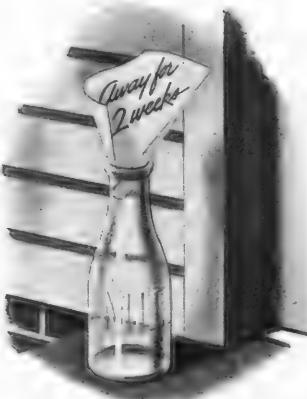
Open House

A WELL-POSTED bank family has long been considered one of the prime rules of good customer and public relations. But the Harlem Savings Bank (New York City) took a literal interpretation of this point recently when it staged an after-hours get-together for trustees, executives, employees and their families. Some 225 persons attended the session which comprised a tour behind the scenes and a short discussion of bank work. Refreshments and a string ensemble helped make the folks feel at home. Posting the bank family serves an excellent purpose, for it represents a second line of public and customer contact, frequently via the back fence.

New FHA Theme

ANOTHER FHA CAMPAIGN to stimulate home modernization will get under way in mid-August, with emphasis placed on the theme "pay by the month". This drive will be patterned closely after last Summer's promotion program, which is credited with no small part of the 3,000,000 moderniza-

Invitation to Theft



An unoccupied residence is a standing invitation to the burglar.

Before you go vacationing, protect the contents of your home — and your peace-of-mind — with a Standard burglary and robbery policy. Your Standard agent or broker, efficient and well-informed, will gladly give you the details of this low-cost protection.

Standard Accident of Detroit writes burglary and robbery insurance to cover your home, business and person; also insures against loss due to embezzlement; forgery; automobile accident; injuries to self, employees and public; glass breakage; and similar hazards.

Your Standard agent or broker is ready to help you at any time.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies... Since 1884

tion loans made to date. Cooperative campaign moves between the building industry and the FHA have resulted in the preparation of new literature, radio scripts and display material which will be available at Washington headquarters and field offices shortly.

Here is an opportunity to double the effectiveness of your bank tie-up program. Take a tip from the Industrial Morris Plan Bank of Detroit. This institution makes its trade contacts early, drums up enthusiasm and offers to see that FHA promotion materials are delivered when ready. In fact, the bank employs a window trimmer who sets up FHA displays in dealers' windows before the bank promotion reaches its peak. A little canvassing of the local trade now may assure better results and strong cooperation.

Red Cross

IT IS AN effective commentary on the public spirit of American banks to see releases pour in from coast to coast, announcing that local institutions are serving under the Red Cross War Relief Fund.

The network of banks participating as collection depots now spread over the country once again performs an invaluable service in the interest of humanitarian work. Here is one for the record—for critics who talk of a lack of public interest.

Amortization Loans

A HANDSOME BROCHURE announces a new service to all institutions which establish a demand deposit (correspondent) account at the Morris Plan Bank of Virginia. As a pioneer in the development of small loan business and with an 18-year record of success, the Morris Plan turns its experience to the benefit of fellow bankers with the aim of better service, safe operation and increased profits.

The brochure poses a number of important questions on rates, credit policies, accounting, auditing, collections and business development which the bank is prepared to answer. In addition it outlines 18 other service functions on the subject which come under the correspondent plan. These cover the mapping out of a development program for all types of amortization loans, individual conferences, personal assistance and on occasions the participation with banks handling credits in excess of their legal limits and other points of cooperation.

Testimonial comments on the service also appear in the last two pages of the brochure.

Buy-O-Matic Plan

THE FIRST NATIONAL BANK AND TRUST COMPANY (Freeport, N. Y.) is the 22nd institution to install the new Buy-O-Matic finance plan since its introduction in May. Called "the simplest way to buy and pay", the plan offers the small merchant a medium through which he may successfully compete with the merchandising of large retail stores in extending consumer credit without charging interest or adding to retail prices.

In the operation of the plan the merchant does the selling job com-

pletely. Customers who want deferred credit are given a Buy-O-Matic application. After this has been qualified at the bank, the customer is invited in to get his Buy-O-Matic checks. After signing a six-month note, payable in monthly instalments, without interest, he receives the book of checks in amounts of \$60, \$90, \$120, \$150 or \$180, or any combination of these amounts. The book contains checks of various denominations, \$1, \$2, \$5 and \$10. The customer then signs the checks in the presence of a bank officer—like a traveler's check.

When these checks are offered in cash

**FEDERAL
INTERMEDIATE
CREDIT BANK
CONSOLIDATED
DEBENTURES**

Exempt from all Federal, State, municipal and local taxes

Legal Investment for savings banks in various States, including New York

Eligible for purchase by the Federal reserve banks in maturities not exceeding 6 months

Acceptable as collateral security for 15-day loans by the Federal reserve banks

Eligible as security for fiduciary, trust and public funds held under the authority or control of officers of the United States

Approved as security for deposits of postal savings funds

Debentures are offered through recognized security dealers and dealer banks. Inquiries should be addressed to the Fiscal Agent or to dealers.

THE FEDERAL INTERMEDIATE CREDIT BANKS

Springfield, Mass.	New Orleans, La.	Wichita, Kan.
Baltimore, Md.	St. Louis, Mo.	Houston, Tex.
Columbia, S. C.	St. Paul, Minn.	Berkeley, Cal.
Louisville, Ky.	Omaha, Neb.	Spokane, Wash.

payment of merchandise, the merchant validates them and receives face value credit when they are deposited to his account at the bank. On the first and fifteenth of each month, as a merchandising sales commission, the merchant sends 6 per cent of the value of all checks spent with him to the Buy-O-Matic headquarters in New York City. In turn that office sends a check for 4 per cent of the funds advanced to the bank. Of this, the bank retains 3 per cent as its share of the merchandising commission and sets up a reserve of 1 per cent for losses against which deductions may be made for customer

notes more than 90 days overdue. When the reserve has been built up to 10 per cent of the entire volume, the balance becomes the property of the Buy-O-Matic Company.

Among other interesting angles to the plan is the fact that the customer becomes liable to the bank only to the extent that he uses the checks; unused checks are redeemed in full. There is a condition, however, that checks become invalid if not used or redeemed in six months. Experience to date shows that checks are spent within the first ten days after issuance. The 3 per cent accruing to the bank is equivalent to

receiving 6 per cent discount on the same money, as it is 3 per cent in advance on six months' discount basis.

To stimulate volume, merchants receive free advertising materials and are listed in the sectional directory of Buy-O-Matic merchants which is widely distributed.

Play Ball

THE FIRST NATIONAL BANK of Louisville scores a hit with local baseball fans with its unique advertising tie-up with personal loan promotion. Catering to the innate desire to "kibitz" on the umpire, the players and even the management of a ball team, the bank has arranged to let the fans tell the public what they think of the Louisville Colonels over the radio. Don Hill, sports commentator for WAVE interviews a number of fans daily at the grandstand when the Colonels play on home ground, and at the studio when the team is on tour.

Bouquets and brickbats fly on this 15-minute program. The grandstand managers are led into a spirited criticism of the team. Bank commercials are brief and unobtrusive. A contest conducted through the program requires a forecast of the performance of the team and individual players for the season. Highest accuracy receives a season's pass from the Colonel management; runners-up receive passes to single games. As a souvenir of the radio program, the bank distributes the "Grandstand Managers" manual containing biographical sketches and pictures of players, changes in rules, information on how to score the game, its history, roster of immortals and statistics. A map on the back cover shows the location of the bank's nine offices and other bank information appears on the fly leaf and inside covers.

In a word, this program is real fun for the fans and good business for the bank.

Securities Book

THE FIRST BOSTON CORPORATION recently issued the 1940 edition of "Securities of the United States Government and Its Instrumentalities". New features added to this 90-page volume include an analysis of institutional bond portfolio problems, a digest of tax changes resulting from the Revenue Acts of 1939 and 1940, and the effects of the Reorganization Act of 1939 upon the obligations of various Federal credit agencies and Government corporations.

Special emphasis is noted in the new sections on the value of efficiency in

Bank of America

NATIONAL TRUST AND SAVINGS ASSOCIATION
CALIFORNIA'S ONLY STATEWIDE BANK

Condensed Statement of Condition June 29, 1940

RESOURCES

Cash in Vault and in Federal Reserve Bank	\$ 168,268,130.71
Due from Banks	101,646,611.93
TOTAL CASH	
Securities of the United States Government and Federal Agencies	420,052,050.76
State, County and Municipal Bonds	154,921,004.81
Other Bonds and Securities	39,616,989.03
Stock in Federal Reserve Bank	3,720,000.00
Loans and Discounts	724,574,778.65
Accrued Interest and Accounts Receivable	6,258,759.73
Bank Premises, Furniture, Fixtures and Sale Deposit Vaults	31,198,232.40
Other Real Estate Owned	7,608,585.39
Customers' Liability on Account of Letters of Credit Acceptances and Endorsed Bills	17,928,353.49
Other Resources	847,596.95
TOTAL RESOURCES	

LIABILITIES

DEPOSITS:

Demand	\$ 653,365,806.89	} \$1,496,022,001.70
Savings and Time	842,656,194.81	
Liability for Letters of Credit and as Acceptor, Endorser or Maker on Acceptances and Foreign Bills		
Reserve for Interest Received in Advance	8,440,504.87	
Reserve for Interest, Taxes, Etc.	1,675,790.24	
Capital:		
Common (4,000,000 Shares)	\$ 50,000,000.00	
Preferred (600,000 Shares)*	12,000,000.00	
Surplus	62,000,000.00	
Undivided Profits	17,805,778.75	
Undistributed Reserve	6,500,000.00	
Other Reserves	2,500,642.12	
Preferred Stock Retirement Fund	1,000,000.00	
TOTAL CAPITAL FUNDS		152,206,420.87

TOTAL LIABILITIES

*Issued at \$50 (\$20 Capital—\$30 Surplus). Annual Dividend \$2. Preferred to extent of and refundable at issue price and accrued dividends. This statement includes the figures of the London, England, banking office.

MAIN OFFICES IN TWO RESERVE CITIES OF CALIFORNIA
SAN FRANCISCO LOS ANGELES

495 California branches united
for strength and service



administering government bond portfolios, as a means of avoiding losses and increasing income and profits through the coordination of proper accounting and tax considerations with other fundamental investment principles and by recognition of current market relationships among the wide range of Treasury direct and guaranteed issues.

Trust Theme

NOTHING IS SO OBSOLETE AS YESTERDAY'S newspaper, unless it is yesterday's map of Europe . . . or yesterday's security quotation. This is the timely, forceful theme chosen by the Wachovia Bank and Trust Company (Winston-Salem, N. C.) to point out to trust prospects the kaleidoscopic changes that occur daily in the investment field due to world conditions.

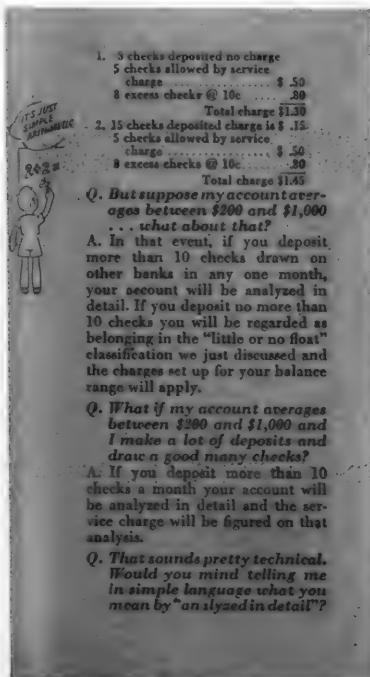
COPY LOGICALLY reasons: When it is so difficult for most men and women of property to keep up with moving events and their relations to investments, how can these individuals pass their possessions to others later on with any assurance of conservation? A well taken point in these times.

Service Charge

MANY A QUALM of misgiving still seems to attend the announcement of new bank service charges or changes in

SERVICE CHARGE (Above)

A booklet that does a clever explanation job



established schedules. But a hard and fast rule of thumb comes out of experience—no amount of finesse will do the job properly.

Give the facts and abide by them, if they are fair and equitable all around. Here is the conclusion reached by the Jacksonville (Florida) Clearing House Association after examining numerous plans surveyed over the country. To explain the revised charges effective May 1, 1940, the association published an interesting booklet, "You and Your Bank", outlining in question and answer form the why and wherefores of each change. Simple cartoon sketches

printed in the margins enliven the booklet.

To carry on still further the spirit of the booklet, the Florida National Bank sponsored a series of advertisements explaining banking service in detail. Such headlines as "131 People at Your Service" and "It Takes 21 People to Cash Your Check" give an idea of the flavor of this tie-in program.

Cordial Contacts

A CONSTANT BARRAGE of cordial contacts goes in the mails every week to wide and varied mailing lists compiled by the State-Planters Bank & Trust

NATIONAL BANK OF DETROIT

Complete Banking and Trust Service

Statement of Condition, June 29, 1940

RESOURCES

Cash on Hand and Due from Other Banks	\$ 210,996,354.28
United States Government Obligations, direct and/or fully guaranteed	217,613,530.19
Other Securities	31,816,548.30
Stock in Federal Reserve Bank	772,500.00
Loans:	
Loans and Discounts	\$ 61,461,489.35
Real Estate Mortgages	14,664,962.99
Overdrafts	14,983.05
	76,141,435.39
Branch Buildings and Leasehold Improvements	912,897.70
Other Real Estate	15,905.54
Accrued Income Receivable—Net	1,349,632.73
Prepaid Expense	981,454.00
Customers' Liability Account of Acceptances and Letters of Credit	1,545,497.01
TOTAL RESOURCES	\$542,145,755.14

LIABILITIES

Deposits:	
Commercial, Bank and Savings	\$ 460,634,185.78
U. S. Government	20,217,630.19
Treasurer, State of Michigan	13,736,074.38
Other Public Deposits	11,427,353.19
Capital Account:	
Preferred Stock (368,475 Shares)	9,211,875.00
Common Stock (825,000 Shares)	8,250,000.00
Surplus	8,288,125.00
Undivided Profits	6,401,570.45
Reserve for Retirement of Preferred Stock	460,529.69
	32,612,100.14
Reserve for Common Stock Dividend No. 12, payable August 1, 1940	412,500.00
Reserves	1,560,414.45
Our Liability Account of Acceptances and Letters of Credit	1,545,497.01
TOTAL LIABILITIES	\$542,145,755.14

United States Government securities carried at \$65,644,690.06 in the foregoing statement are pledged to secure public and trust deposits and for other purposes required by law.

← →
Member Federal Deposit Insurance Corporation



In building... rust-proof Anaconda Metals increase investment values

COPPER, brass and bronze save upkeep for the home-owner, and, by preserving the useful life of the house, enhance its value as an investment.

Building materials such as copper and brass water pipe, Everdur hot water tanks, copper sheet metal work and bronze screens cost so little more than temporary, rustable products that, in terms of service rendered per year, per dollar, they are far more economical.



THE AMERICAN BRASS COMPANY

General Offices: Waterbury, Connecticut
Subsidiary of Anaconda Copper Mining Company
In Canada: Anaconda American Brass Ltd., New Toronto, Ont.

Anaconda Copper & Brass

Company, Richmond. These silent salesmen, signed by the president, make friends through offering bank services to select groups such as home owners, business executives, school teachers, etc. And frequently institutional good-will is engendered by letters on a mission of friendly congratulations such as the bank sent recently to local high school and college graduates.

Home Hints

THE LATEST home loan folder issued by the First Wisconsin National Bank (Milwaukee) makes an effective tie-up with hints to home builders and buyers and a discussion of financing plans. Prospects are cautioned to check their budgets, neighborhood, lot, design and construction. The flyleaf illustrates an FHA monthly payment chart per \$1,000 of loan at 4 per cent interest, and also gives a case example of a typical loan of \$5,400. The folder is attractively printed in "blueprint" blue and black. Part of the cover illustrates floor plans of various sized homes.

50-50 Ads

A NOVEL WRINKLE in newspaper advertising appears in the current series sponsored by the First National Bank and Trust Company (Macon, Georgia). Half of the space is devoted to institutional copy and half to service promotion. The ads are divided by rules at the center between which sub-captions are set. Institution copy favors the state's agricultural products, livestock and numerous industrial interests. Pertinent facts on production, income and markets are woven through the text.

Feminine Viewpoint

WHEN ONE SCANS the list of statistics which prove that women have the upper hand in many points of finance, it is a wonder that so little bank advertising is specifically directed to the feminine viewpoint. If we are to believe the experts, good advertising has a gender, at least in its appeal. And the feminine appeals ride the gamut of emotions

HOBBY SHOW (See page 60)

Forty employees and 800 customers took part



BANKING

just a little stronger than the hard-bitten male reaction. Two case examples illustrate the point:

Central Savings Bank (New York) recently took its cue from that inherent respect for secrets. As a stopper the advertisement illustrated a surprised face with the caption, "You mean . . . you won't tell?" Copy explained that all accounts are treated as confidential matters between depositors and the bank and that no information would be given to anyone except upon government order or by the express permission of the account holder.

The Equitable Trust Company (Baltimore) builds a trust story out of an off-hand observation made by a professional man as to the number of women who name the bank to administer their estates and trusts. Here the copy indulges in some indirect flattery by explaining the astute judgment of women.

Cooperative Series

THE LARGEST and oldest cooperative advertising campaign today in the banking field is sponsored by the mutual savings banks of Massachusetts. Financed by 160 of their association's 192 members, the 1940 campaign costs \$95,305, each participant having contributed \$60 for each million of deposits. Seventy-five per cent of the appropriation supports a newspaper schedule of 47 Massachusetts dailies and 13 foreign language papers. In addition, the group sponsors a half-hour radio show, "Massachusetts-on-the-March," over two stations and spot announcements on a number of small key stations. It has also produced a two-reel film, "The Massachusetts Way", which has circulated among schools, clubs and commercial theatres throughout the state.

Behind this unusual campaign is the aim of solidifying public relations and of meeting the strong competition of cooperative banks, building and loan associations and government agencies. The appeal for the most part is direct to the younger generation. This was based upon a study of accounts in three institutions which revealed that between 38.4 per cent and 49.5 per cent of deposits was owned by people over 60; and between 2.3 per cent and 9.4 per cent owned by people under 30. These startling figures suggest that thought may well be given to more youthful promotion appeals for individual banks.

JAMES H. PERKINS

James H. Perkins, chairman of the board of the National City Bank of New York and of the City Bank Farmers Trust Company, died suddenly on July 12. He was 64 years old and had long been distinguished in banking. He became chairman of the National City on February 27, 1933, succeeding Charles E. Mitchell.

Mr. Perkins served on the Executive Council and the Finance Committee of the American Bankers Association, 1915-18.

CHARLES G. BUCKINGHAM

Charles G. Buckingham of Boulder, Colorado, more than 66 years a bank president, died July 13 at the age of 94. He had been president of the National State Bank of Boulder since its organization in 1877, and previously headed a private banking firm for three years.

As a young man Mr. Buckingham was one of those who took Horace Greeley's advice. Born in Ohio, he went West at 24, going first to Greeley, Colorado, and then to Boulder where, with others, he established a bank in 1874.

GARDNER BANK DISPLAY SERVICE

To Promote New Business in
SMALL LOANS, AUTO FINANCE and
All Other Bank Services . . .

*A Proven, Animated, 3-Dimensional
Bank Display Rental Service . . .*

Proven effective and successful by more than 100 banks in twelve states, these *Animated*, attention-compelling displays build new business for those departments you select. All displays are *3-Dimensional*, featuring models, carved and molded rubber figures and have a depth and solidity not hitherto available in window or lobby displays. Leased only to *Banks*, these displays are prepared only on banking subjects, by bankers, for bankers. The *Rental Service* plan by which these displays are leased, brings your cost down to a minimum, and gives you twenty-four different displays annually, on subjects you determine, with *Displays* you select in advance.



Molded rubber seal moves head, balancing "Earnings" and "Expenses." All displays are self-illuminated.



Fourteen page mechanical book; pages turn electrically; life-sized baby figure. Displays are four feet wide; three feet high.



Model car with revolving wheels and moving mileposts containing selling messages.

Hundreds of displays, each "selling" one of eighteen different bank services are available for selection. Write for descriptive booklet or location of nearest bank using service.

SEE OUR EXHIBIT, BOOTH 28, ABA CONVENTION, ATLANTIC CITY

GARDNER
BANK DISPLAY SERVICE

477 Melwood Street, Pittsburgh, Pa.

Heard Along MAIN STREET

This material is compiled for
BANKING by Albert Journey

W. W. (Walt) EVANS, vice-president and cashier of the First National Bank of Halfway, Oregon, reminds us that things can happen in small country banks that wouldn't occur along the Rialto. He cites the case of a life insurance company investigator who came out to check up on a double indemnity claim, made on the accidental death of one of the bank's customers. The customer had met his death as the result of a boulder rolling down the side of Timber Canyon Grade. When the investigator was out inspecting the site of the accident, quite by coincidence of course, a boulder tore loose and came roaring down the mountainside missing him by inches.

It was all the proof he needed that "those things can happen here". Without further ado he hastily climbed back in his car, drove to town and sent in a favorable report. The additional \$5,000 received enabled the estate to liquidate the bank's loan on which the policy had been given as security.

★

Miss MARY VAIL ANDRESS, one of few women holders of the Distinguished Service Medal, and the only woman officer of the Chase National Bank, New York, for the past 16 years, withdrew from banking July 1 to devote her time to war emergency relief work.

Miss Andress



Miss ANDRESS, after four years with the Paris office of the Bankers Trust Company, became an officer of the Chase National Bank in 1924. She organized the women's departments in the various domestic branches of the Chase and also spent considerable time in the bank's London and Paris offices. In 1937 she assisted in the opening of the bank's Berkeley Square Branch, in London, and has been closely identified with the subsequent development of the business of that branch as well as the other branches of the Chase.

Miss ANDRESS' Distinguished Service Medal, awarded by Congress, was presented to her by General Pershing in 1919 for the work she did at Toul, France, during the World War. In 1917 she was one of the first eight women sent to Europe by the American Red Cross. Soon after her return in the Autumn of 1919, upon the request of General William N. Haskell, she organized a unit for relief in the Near East and served in the Caucasus as director of the orphanages there. Since September last she has been identified with several war activities, particularly those of American Friends of France.

In February she was chairman of a tribute dinner to France in honor of His Excellency, The French Ambassador, Count Rene de Saint-Quentin, and Miss Anne Morgan, President of American Friends of France.

Miss ANDRESS has contributed for many years to the promotion of women's interest in banking, and is well known in American banking circles.

★

Employees of the Farmers and Merchants National Bank of Los Angeles have formed a bowling league of six teams, appropriately named—*Simoleons, Greenbacks, Iron Men, Bucks, Slugs, Cartwheels*.

While many of the bowlers are beginners, some are top flight alleyists. MEL BUETHER of the public relations department, for example, is one of the city's outstanding bowlers and recently took part in the American Bowling Congress at Detroit.

★

A veteran of the famous "Cherokee Strip" dash of 1893 is J. H. McBIRNEY, president of the National Bank of Commerce, Tulsa, Oklahoma.

He was working for a bank in Colum-



Above left, Mr. Winters, right, Mr. McBirney

bus, Kansas, when he heard that the Government was going to open up the Strip. Now go on with the story, as told by Mr. McBIRNEY to a reporter for the *Tulsa Daily World*:

"I had a friend, LEW WINTERS, a court stenographer of the Cherokee County court. He and I decided we'd team up and get in on the Cherokee Strip. We hired a couple of fellows with a wagon and team to bring us down. We came through Chetopa to Vinita and followed the Frisco railroad to Tulsa. We made camp just three blocks from where my home stands now; there was a ford across the Arkansas River at that point then."

They forged ahead to Stillwater to register with the Land Office.

"We found hundreds in line ahead of us. We could do nothing but get in line and wait with the rest of them. That night we had to sleep in line. We were afraid to get out—couldn't chance losing our places. What made it worse, the town of Stillwater caught fire and we had to stand and watch it burn. We couldn't leave the line."

After registering, McBIRNEY and WINTERS moved on to Orlando and thence to the edge of the Strip. From a high bluff:

"As far as we could see, from East to West, there were wagons, buckboards, saddled horses, men and women afoot—every sort of conveyance you can imagine. All were waiting at the line. We could see the army buglers in the distance waiting to give the signal

for the 'run.' It was the 6th of September, 1893.

"Exactly at noon, when the buglers sounded off, that great mass of people swept into motion. Dust—noise—mad commotion. We could see it all from where we were. There were a lot of men on race horses, brought to the line for the purpose of getting in quickly. A lot more had cow ponies. The race horses got a head start and kept it—for a while. Then we could see the cow ponies overtake them and leave them behind."

How the two Kansans made their way to the townsite of Perry, how they ran a 'cross country race to the business section corner of the 160 acres and staked out lots, cannot be told in this department's limited space. Nor can we more than hint at Mr. McBIRNEY's discomfiture when he discovered that the lot he had staked out was "right square in the middle of a street" and that he didn't have a thing, after all.

"I didn't get an inch of land out of that three weeks of trouble, but I wouldn't take all the land in the Cherokee Strip for the experience. I go down to Perry for the annual celebrations of the Strip opening. It's glorious to watch that parade and live again the days of the 'run.'"

★

JOHN F. FLAACKE, assistant secretary of the Chemical Bank & Trust Company, New York, began his 70th year of continuous service with the bank



Mr. Flaacke

on July 12. In point of service, he is the dean of New York bankers and as far as is known, for length of continuous service with one institution he holds the record for the entire country.

Mr. FLAACKE was born in New York City on August 22, 1855. He entered the bank's employ on July 12, 1871, during the presidency of John Quentin Jones, and has served under seven of the ten presidents the bank has had in its 116 years of existence.

Mr. FLAACKE was one of the organizers of the Bank Clerks' Building & Loan Company in 1890 and was also active in organizing the New York Chapter of the American Institute of Banking, of which he was the first treasurer. He is a member of the Blizzard Men's Club of New York and the Society of Old Brooklynites.

Until January 1, 1941, GEORGE L. HARRISON will continue to be president of the Federal Reserve Bank of New York. He had resigned as of July 1, 1940, to accept the presidency of the New York Life Insurance Company, but "because of extraordinary conditions which have since developed" the Reserve bank's directors requested that his resignation be deferred until the first of the year. The directors of New York Life agreed, so Mr. Harrison continues in his old job.

The insurance company said its directors "felt that it was their public duty to cooperate with the directors of

Guaranty Trust Company of New York

Fifth Ave. at 44th St. 140 Broadway Madison Ave. at 60th St.
LONDON PARIS BRUSSELS LIVERPOOL HAVRE ANTWERP

Condensed Statement of Condition, June 30, 1940

This Statement includes the assets and liabilities of London and Liverpool Branches as of June 30, 1940; Paris, Havre and Brussels Branches as of April 30, 1940; and Antwerp Branch as of March 31, 1940.

RESOURCES

Cash on Hand, in Federal Reserve Bank, and	
Due from Banks and Bankers	\$ 1,134,793,036.68
U. S. Government Obligations	959,055,409.42
Public Securities	51,867,512.04
Stock of the Federal Reserve Bank	7,800,000.00
Other Securities and Obligations	24,889,307.10
Loans and Bills Purchased	388,958,340.26
Credits Granted on Acceptances	9,080,480.35
Accrued Interest and Accounts Receivable	7,246,892.93
Real Estate Bonds and Mortgages	3,991,744.62
	2,587,682,723.40
Bank Buildings	11,582,091.69
Other Real Estate	1,459,209.61
	\$ 2,600,724,024.70

LIABILITIES

Deposits	\$ 2,292,946,973.64
Checks Outstanding	9,847,098.96
\$ 2,302,794,072.60	
Acceptances	\$ 15,749,931.23
Less: Own Acceptances	
Held for Investment	6,669,450.88
	9,080,480.35
Liability as Endorser on Acceptances and Foreign Bills	681,040.00
Agreements to Repurchase Securities Sold	218,000.00
Dividend Payable July 1, 1940	2,700,000.00
Items in Transit with Foreign Branches and Net Difference in Balances Between Various Offices	
Due to Different Statement Dates of Some Foreign Branches	221,636.76
Miscellaneous Accounts Payable, Accrued Taxes, etc.	9,389,394.80
	2,325,084,624.51
Capital	\$ 90,000,000.00
Surplus Fund	170,000,000.00
Undivided Profits	15,639,400.19
	275,639,400.19
Total Capital Funds	
Total Liabilities	\$ 2,600,724,024.70

Securities carried at \$20,595,624.13 in the above Statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

Member Federal Deposit Insurance Corporation

the Federal Reserve Bank of New York and with the governors of the Federal Reserve System in view of the extraordinary financial situation throughout the world created by the war."

*

The Pennsylvania Bankers Association has enrolled in its 50 Year Club HOWARD A. RUTHERFORD, cashier, vice-president and director of the Harrisburg National Bank, and ROBERT M. RUTHERFORD, president and director of the Steelton Bank and Trust Company of Steelton.

HOWARD A. RUTHERFORD, who en-

tered the employ of the Harrisburg National Bank while his grandfather, J. B. RUTHERFORD, was a director, is an officer of many organizations. He is president of the Board of the Home for Friendless, treasurer of the Harrisburg hospital, Harrisburg Consistory, Masonic Temple Association and Zembo Temple Nobles of the Mystic Shrine. With the exception of vacations and an attack of typhoid fever, he has been absent from work just one day, when traveling conditions kept him home.

ROBERT M. RUTHERFORD became clerk in the Steelton National Bank on July 25, 1889, shortly after his gradu-

tion from the Harrisburg Academy. Ten years later he was made cashier and in 1902 became the president of the bank. In the same year he was chosen president of the Steelton Trust Company, organized largely through his efforts, and he remained president of both institutions until July 1928 when the two were merged to form the Steelton Bank and Trust Company. He is vice-president of the Harrisburg Clearing House Association.

*

GILES F. FOLEY, assistant vice-president of the Denver National Bank, member of the American Bankers Association Consumer Credit Council, and chairman of the Colorado Bankers Association Consumer Credit Council, has been reappointed chairman of the Finance Committee of the National Retail Credit Association for the coming year. This is his fourth term in that office.

*

EDSON F. ADAMS, president of the Farmers and Merchants Savings Bank, Oakland, California, since its incorporation in 1892, recently celebrated his 80th birthday.

Mr. ADAMS is a native of Oakland. His father was one of the "Forty-Niners" and a founder of Oakland who with two others employed the engineer who laid out and mapped the town.

During his long and useful life Mr. ADAMS has played a vital part in developing his city and state. In 1888 he took over his father's extensive interests, particularly the development of

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO

Statement of Condition, June 29, 1940

RESOURCES

Cash and Due from Banks.....	\$ 660,976,022.11
United States Government Obligations,	
Direct and Fully Guaranteed.....	645,413,466.22
Other Bonds and Securities.....	60,376,065.86
Loans and Discounts.....	156,347,094.22
Stock in Federal Reserve Bank.....	2,400,000.00
Customers' Liability on Acceptances.....	444,251.87
Income Accrued but Not Collected.....	2,557,917.60
Banking House	12,450,000.00
Real Estate Owned other than Banking House	2,952,375.45
	<hr/>
	\$1,543,917,193.33

LIABILITIES

Deposits	\$1,421,459,288.57
Acceptances	446,123.56
Reserve for Taxes, Interest and Expenses.....	5,010,687.05
Reserve for Contingencies	16,561,200.27
Income Collected but Not Earned.....	226,859.26
Common Stock.....	50,000,000.00
Surplus.....	30,000,000.00
Undivided Profits	20,213,034.62
	<hr/>
	\$1,543,917,193.33

United States Government obligations and other securities carried at \$148,194,254.81 are pledged to secure public and trust deposits and for other purposes as required or permitted by law

Member Federal Deposit Insurance Corporation



Mr. Adams

the Oakland waterfront. His knowledge of land titles and laws subsequently brought him an appointment by the governor as a member of the State Com-

mittee to investigate proposed land laws. After the turn of the century Mr. ADAMS widened his interests to include the hydro-electric field.

His ability and civic-mindedness has been long recognized. He was the first president of the Oakland Chamber of Commerce and chairman of the Oakland Banking Committee which aided in solving financial difficulties brought on by the San Francisco fire. The welcoming committees which greeted two U. S. presidents, McKinley and Taft, were headed by Mr. ADAMS, who was their principal host.

★

CHARLES H. MARTEL, veteran teller of the Amoskeag National Bank in Manchester, New Hampshire, has been re-elected clerk of the Manchester school board for another period of two years. Born in Manchester 60 years ago, Mr. MARTEL went to work for the Amoskeag bank 40 years ago and for the past 20 years has been teller. His service as clerk of the school board extends back to 1911 and he has been reelected every other year ever since. When he became clerk he succeeded HARRY L. DAVIS, former treasurer of the Amoskeag Savings Bank.

Bankers always have been represented on the board. At present two of its 13 members are bank employees. One is HENDRY J. CLARK, teller at the Manchester National Bank, the other WILMOT G. MERRILL, who holds a similar position with the Manchester Morris Plan Bank.

★



Mr. Bullock and his mother in front of the plane

The experience of HARRISON BULLOCK, vice president and trust officer of the State Bank of Albany, New York, in flying his own plane on pleasure trips over every state in the union and over parts of Canada and Mexico, is, in a way, a by-product of war.

August 1940

Mr. BULLOCK learned to fly as a flying cadet during the World War. After leaving the Army in 1919 he did not have an opportunity to fly until 1927.

In his Fairchild monoplane Mr. BULLOCK, accompanied by his mother who is now 75 years of age, spends his vacations leisurely cruising to various parts of the country. Since 1937 the BULLOCKS have taken two tours of the southern states, have flown twice to the Pacific Coast and back, and have also used their plane as a pleasure vehicle for rides near home and for shorter jumps of from 200 to 600 miles. One of their unusual experiences was witness-

ing a total eclipse of the sun from a height of 8,500 feet.

A respecter of the elements, Mr. BULLOCK has never attempted to fly under adverse weather conditions, although on occasion he has met unexpected storms. The logs of his trips make fascinating reading and point out the rare opportunities for travel and pleasure that, while only a few now enjoy them, will be commonplace to the coming air-minded generation.

Mr. BULLOCK has spent more than 900 hours in the air and has flown over 90,000 miles. It is interesting to note that in the course of his flying experi-

STATEMENT OF CONDITION

Mercantile-Commerce Bank and Trust Company

Locust ~ Eighth ~ St. Charles
St. Louis

— JUNE 29, 1940 —

THE RESOURCES

Cash and Due from Banks	\$105,563,189.20
U. S. Government Obligations, direct and guaranteed (including \$10,343,003.20 Pledged*)	33,268,828.05
Other Bonds and Securities	31,341,008.00
Demand and Time Loans	26,057,244.88
Stock in Federal Reserve Bank in St. Louis	408,000.00
Real Estate (Company's Building)	2,350,000.00
Safe Deposit Vaults	500,000.00
Other Real Estate (Former Bank of Commerce Bldgs.)	1,500,000.00
Overdrafts	6,668.48
Customers' Liability on Acceptances and Letters of Credit	216,323.19
Other Resources	42,412.06
	<u>\$201,253,673.86</u>

THE LIABILITIES

Capital Stock	\$10,000,000.00
Surplus	3,600,000.00
Undivided Profits	\$3,146,750.82
Reserve for Dividends Declared	300,000.00
Reserves for Interest, Taxes, etc.	3,446,750.82
Unpaid Dividends	623,853.72
Bank's Liability on Acceptances and Letters of Credit	3,259.50
Other Liabilities	216,323.19
Deposits, Secured: Public Funds . . . \$ 8,530,277.31	10,210.32
Other Deposits, Demand	142,236,580.33
Other Deposits, Time	32,586,418.67
	<u>183,353,276.31</u>
	<u>\$201,253,673.86</u>

*All Securities pledged are to the U. S. Government or its Agents, State of Missouri and the City of St. Louis, to secure deposit and fiduciary obligations.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

ence Mr. BULLOCK has never been involved in an accident.

*

To many of the younger generation (and to their fathers) the other fellows' field seems just a little greener than their own. But not so to the young son of WALTER KENNEDY, vice-president of the First National Bank of Montgomery, Alabama. Young Master KENNEDY evidently feels that his father has a very easy and worthwhile job and wishes to follow in his footsteps.

Writing in his school paper, WALTER, Jr., gives the following reasons for his

ambition to be a banker: "It offers steady employment, never lays off. It has frequent holidays. The working hours are from about 8:30 or 9:00 to 5 o'clock. You have nice surroundings and nice comfortable furniture in your offices. The buildings are also heated."

*

W. H. BURKE, president, "Citizens State Bank, Little River, Kansas, is a candidate for the gubernatorial nomination on the Democratic ticket in the primary election. He is accorded an excellent chance of being nominated.

Mr. BURKE was born in 1879, in a

dugout on a homestead near Little River. He experienced the usual life on a frontier ranch. After attending business college in Louisville he returned to Little River where he started as a farmer and cattle raiser. In 1914 he entered the grain business and in 1919 added banking to his growing interests which now include the local hotel, picture show, filling station, and drug store.

Mr. BURKE has never before been a candidate for elective office though he was appointed chairman of the State Board of Administration in 1937 and Collector of Internal Revenue for Kansas in 1939. He served two terms as president of the Kansas Live Stock Association.

*

ERWIN M. HILL of the First National Bank of Northampton, Massachusetts, is, in his spare time, a "homer pigeon" fancier. A past president of the Mount Tom Racing Pigeon Club he owns about 40 birds. In the years that he has followed this hobby Mr. HILL's entries have

CITIZENS NATIONAL TRUST & SAVINGS BANK OF LOS ANGELES



Condensed Statement of Condition
at Close of Business June 29, 1940

RESOURCES

Cash and Due from Banks	\$41,908,291.52
United States Obligations, Direct or Fully Guaranteed	33,479,077.48
State, County, and Municipal Bonds	6,063,612.16
Other Bonds	1,204,594.48
Loans and Discounts	48,819,881.34
Federal Reserve Bank Stock	246,750.00
Stock in Commercial Fireproof Building Co.— Head Office Building	348,500.00
Bank Premises, Furniture and Fixtures, and Safe Deposit Vaults (Including Branches)	956,443.30
Other Real Estate Owned	1,275,969.70
Customers' Liability under Letters of Credit and Acceptances	603,362.57
Earned Interest Receivable	358,001.40
Other Resources	479,290.63
TOTAL	\$135,743,774.58

LIABILITIES

Capital Stock	\$5,000,000.00
Surplus	3,225,000.00
Undivided Profits	1,150,000.00
Reserves for Interest, Taxes, Dividends, Contingencies, Etc.	951,407.03
Discount Collected—Unearned	68,738.05
Letters of Credit & Liability as Acceptor or Endorser on Acceptances & Foreign Bills	629,111.77
Other Liabilities	13,211.17
Deposits	124,706,306.56
TOTAL	\$135,743,774.58

Head Office: Spring Street at Fifth, Los Angeles
Branches Throughout Los Angeles

MEMBER FEDERAL RESERVE SYSTEM • MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



Mr. Hill and a few of his pigeons

won many prizes in races sponsored by the two national racing pigeon associations. Last year his birds were entered in three races in each of which some 200 birds representing 20 lofts competed. In the 150 mile race his bird won a second diploma, in the 200 mile race a fifth diploma and in the 300 mile race a first diploma.

*

Mrs. MAUD B. EARLL filing clerk in the trust department of the Portland (Oregon) Trust & Savings Bank, is the ace contest winner among bank women of her city. That is her hobby. She has won three national contests which brought her a gas range, electric refrigerator, set of dishes and all manner of kitchen gadgets, in addition to cash.

She has been writing a novel and expects to take two or three years more to complete it because of the heavy demands made on her time by her hobby.

From lawmaker to bank president briefly tells the story of the career of CHARLES A. CHRISTOPHERSON, president of the Union Savings Bank of Sioux Falls.

After two terms in the South Dakota legislature (1913 and 1915) and seven terms in the U. S. House of Representatives (1918-1933), he entered his present position in 1936.

Throughout his years in the House, Mr. CHRISTOPHERSON was a member of the Judiciary Committee, while, in the state legislature in the 1915 session, he served as speaker of the house.

Mr. CHRISTOPHERSON is treasurer of the Minnehaha County (Sioux Falls)

articles, reproduced in Nicaragua and other Latin-American countries, described the organization and activities of both the Association and its educational section, the Institute.

Mr. MENDIETA also represents the National Chamber of Commerce and the Industries of Nicaragua in New York.

★

One of the entries in a recent hobby show of the Bankers Club of New York, composed of Bankers Trust Company employees, was a water color by SEWARD PROSSER, chairman of the

board. The picture, a marine, is one of Mr. PROSSER's first efforts at painting as a hobby, and shows a sailboat against a background of trees. It was loaned to the exhibit by GUY EMERSON, a vice-president of the bank.

★

J. MILTON FREELAND, vice-president, City National Bank and Trust Company, Kansas City, Missouri, is the current golf champion of the Missouri Bankers Association. Mr. Freeland won the title in the playoff necessitated by a three way tie in the regular 18 hole tournament.



Mr. Christopherson

Red Cross chapter and served as state treasurer of the Finnish relief fund.

He is a 33rd degree Mason, a member of the Congregational church, an Elk and an Odd Fellow. He was born at Amherst, Fillmore County, Minnesota, July 23, 1871.

★

Three years ago FRANCISCO A. MENDIETA came to New York to serve in the executive office of the National Bank of Nicaragua, the central bank of his country. He now represents that institution in the United States.

Mr. MENDIETA enrolled in New York Chapter, American Institute of Banking, completing this year the course for a standard certificate in commercial banking. In June he went back to Nicaragua.

As a "tribute of gratitude" to the Institute for the profit he derived from its courses, he wrote three articles about the A.I.B. and the American Bankers Association for *La Prensa*, Spanish-American newspaper in New York. The

THE NATIONAL CITY BANK OF NEW YORK

Head Office • 55 WALL STREET • New York

Condensed Statement of Condition as of June 30, 1940 (In Dollars)

INCLUDING DOMESTIC AND FOREIGN BRANCHES

ASSETS	
Cash and Due from Banks and Bankers	\$1,247,074,280
Gold Abroad or in Transit	1,206,709
United States Government Obligations (Direct or Fully Guaranteed)	725,503,880
Obligations of Other Federal Agencies	35,502,834
State and Municipal Securities	138,287,768
Other Securities	57,935,928
Loans, Discounts and Bankers' Acceptances	498,731,602
Real Estate Loans and Securities	7,903,247
Customers' Liability for Acceptances	7,733,095
Stock in Federal Reserve Bank	3,900,000
Ownership of International Banking Corporation (Including Paris Office)	8,000,000
Bank Premises	41,877,294
Other Real Estate	469,244
Other Assets	654,709
<i>Total</i>	<u>\$2,774,780,590</u>
LIABILITIES	
Deposits	\$2,591,963,229
Liability on Acceptances and Bills	\$29,233,121
Less: Own Acceptances in Portfolio	16,243,792
Items in Transit with Branches	9,736,833
Reserves for:	
Unearned Discount and Other Unearned Income	3,973,539
Interest, Taxes, Other Accrued Expenses, etc.	6,698,290
Dividend	3,100,000
Capital	\$77,500,000
Surplus	53,000,000
Undivided Profits	15,819,370
<i>Total</i>	<u>\$2,774,780,590</u>

Figures of Foreign Branches are as of June 25, 1940.
(Brussels as of April 25)

\$69,444,689 of United States Government Obligations and \$17,676,551 of other assets are deposited to secure \$59,823,769 of Public and Trust Deposits and for other purposes required by law.

(Member Federal Deposit Insurance Corporation)

W. P. (Bill) NEWMAN, president, Eastern Trust and Banking Company, Bangor, Maine, is one of Bowdoin College's all time greats. In the days before the "freshman rule" became effective he was, for four years (1906-9) a line-man on the football team, guard on defense and tackle on offense because of his ball-carrying ability. He captained the team in 1909, was an All-State selection three years. Head coach at Bowdoin in those years was another future banker, R. P. McCCLAVE, former Princeton star and now president of the United National Bank of Cliffside Park, New Jersey.

It was no accident that Mr. NEWMAN became a banker. He had headed for it from his high school days when, during the Summers, he worked in a bank. All through school and college, vacations found him back at his job. When he graduated he simply became a full time rather than a part time banker.

★

HARRY G. MEEM, president, and ARTHUR PETER, chairman of the board of the Washington (D. C.) Loan and Trust Company, are respectively president and vice-president of the unique John Dickson Home.



Statement of Condition

At the Close of Business
June 29, 1940

ASSETS

Cash on Hand and Due from Banks	\$71,729,145.28
United States Securities Owned	20,554,800.00
Stock in Federal Reserve Bank	330,000.00
Other Stocks and Bonds	2,352,802.54
Loans and Discounts	47,580,562.58
Furniture and Fixtures	277,692.02
Banking House	2,305,000.00
Other Real Estate	1,067,200.97
	\$146,197,203.39

LIABILITIES

Capital Stock	\$5,000,000.00
Surplus Fund	6,000,000.00
Undivided Profits, Net	4,071,053.98
Reserved for Taxes, Etc.	281,201.11

Deposits

Individual	\$82,877,059.50
Banks and Bankers	43,465,826.15
U. S. Government	4,502,062.65
	130,844,948.30
	\$146,197,203.39

FIRST NATIONAL BANK
in DALLAS MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

This is a memorial home on the club group plan. It is housed in a delightful, handsomely furnished residence where a group of elderly gentlemen participate in its benevolences.

Situated on four wooded acres in the residential section of Washington, D. C., it vies with many of Washington's wealthy country clubs in its comforts and conveniences. It is adequately endowed and those who enjoy its benefits pay no dues.

★

When C. B. STEPHENSON, vice-president, First National Bank of Portland, is assigned a job he takes off his coat and piles into it with unusual energy that brings quick results. The first world war, during which he spent a year in France, interrupted Mr. STEPHENSON's studies at the University of Oregon Law School. Subsequently, after working in several varying fields, he took a post graduate law course at Harvard and on his return to Oregon entered banking. He has been vice-president of the First National since 1932.

Mr. STEPHENSON is an ardent golfer, an occasional fisherman and is active in civic affairs. He is president of the Portland Clearing House Association and of the Community Chest, as well as a director of the Library Association and the chamber of commerce.

★

Fifty years ago H. B. PETERS, president of the Fairfield National Bank of Lancaster, Ohio, attended the meeting in Columbus at which the Ohio Bankers Association was organized. At this year's Golden Anniversary of the Association, Mr. PETERS, now 86 and presumably the only living founder of the O.B.A., was an honored guest. Entirely by coincidence the officer who presided at the convention was none other than Mr. PETERS' son, P. R. PETERS, cashier of the Fairfield National Bank and president of the Ohio Bankers Association.

By further coincidence, the elder Mr. PETERS was introduced to the meeting by B. G. HUNTINGTON, president of the Huntington National Bank of Columbus. Mr. HUNTINGTON, himself a past president of the O.B.A., is the son of P. W. HUNTINGTON, who, as president of the Columbus Clearinghouse, called to order the first meeting of the O.B.A. The annual dinner of the past presidents of the O.B.A. was held at the ancient Columbus Club where, 50 years ago, a reception in connection with the association's founding was given.

The Jokes Editor Reports

WISELY or not, BANKING in its June issue told you it would pay \$2 for each bank joke that got by the Jokes Editor.

There's no need to go into detail about the number of jokes submitted, the number of times the same joke was repeated, or the number of readers who apologized for the quality of their entries. Perhaps it might be reported, however, that the Jokes Editor so far has escaped the attack of hysteria which he rather feared when he took the job. That is to say, the jokes for the most part have been—well, jokes.

We print some of them, without guaranteeing that they are original or that they will make you laugh. And if you've heard them before, or know a better one, or think that some you sent in are much funnier than these, remember that the way of a Jokes Editor is hard and that this one, anticipating just such a barrage, resigned his position after preparing this copy for the printer.

It Was She

THE PRETTY young lady presented a check to the teller. He examined it carefully and asked:

"Can you identify yourself?"

Whereupon the pretty young lady dipped into her purse, took out a small mirror, looked at it a moment and said:

"Yes, it's me all right."

—ADOLPH F. FORSBERG, Winchester, Massachusetts

Let-Down

BANK FLOORMAN to a group in the lobby: "Did anyone lose a roll of bills with a rubber band around them?"

Two voices: "Yes, I did."

Floorman: "Well, I've found the rubber band."

—ERWIN T. KOCH, Mercantile-Commerce Bank and Trust Company, St. Louis

Fair Enough

A PERSONAL LOAN applicant was advised that his monthly income didn't justify the credit requested, but that if he could get the endorsement of a local business man the bank would grant the application.

The would-be borrower returned quickly.

"No," he said, "I couldn't get Mr. Jones to endorse it, but he said that if

the bank would, he'd lend me the money."

—HOWARD H. HANSEN, Peoples National Bank of Washington, Everett, Washington

It Certainly Should

"I WISH OUR bank would get on its feet long enough to stop sending back our check marked 'No funds,'" said the

irate bride. "A bank that hasn't money enough on hand to pay a \$4.27 check ought to be merged and put on a sound basis."

—L. E. VISEL, New Haven, Connecticut

She Meant Well

A WOMAN, UPON receiving notice that her checking account was overdrawn,



STATEMENT OF CONDITION

JUNE 29, 1940

BOARD OF DIRECTORS

FREDERICK H. PRINCE
F. H. Prince & Co., Providence, R. I.

ROBERT J. DUNHAM Investments	WILLIAM J. O'CONNOR Ass't General Manager, Union Stock Yard & Transit Co.
RICHARD HACKETT General Manager, Central Manufacturing District	DAVID H. REIMERS President, The Live Stock National Bank of Chicago
ORVIS T. HENELE Vice-President and General Manager, Union Stock Yard & Transit Co.	CLYDE H. SCHRYVER President, Chicago Merchandise and Equipment Co.
ARTHUR G. LEONARD President, Union Stock Yard & Transit Co.	RALPH M. SHAW Winston, Strawn & Shaw
JAMES A. McDONOUGH Investments, Providence, R. I.	THOMAS E. WILSON Chairman, Board of Directors Wilson & Company

RESOURCES

Cash and due from banks.....	\$19,411,915.27
United States Government Securities.....	2,386,440.82
State and Municipal Securities.....	877,832.82
Other Marketable Bonds.....	1,068,288.41
Loans and discounts.....	5,946,546.41
Federal Reserve Bank stock.....	75,000.00
Bank building.....	450,000.00
Furniture and equipment.....	1.00
Interest earned, not collected.....	35,814.81
Current receivables and other assets.....	38,345.09
<hr/>	
	\$30,298,184.43

LIABILITIES

Capital.....	\$ 1,000,000.00
Surplus.....	1,500,000.00
Undivided profits and reserves.....	104,311.87
Uncashed Discount.....	23,481.68
Deposits.....	27,670,390.90
<hr/>	
	\$30,298,184.43

Member Federal Deposit Insurance Corporation
ESTABLISHED 1863

immediately wrote a letter of apology to the bank, enclosing a check on the same account to cover the overdraft.

—W. C. UNGER, State Bank & Trust Company, Wellston, Missouri

Reverse English

AN INDIAN wanted a \$100 loan and the banker asked what security he had.

"Umph, what meanum security?" questioned the Indian.

"How many horses, cows, mules or other head of livestock do you own?"

"No gottum," said the Indian, and departed.

Several months later oil wells were drilled on his place and he came into the bank with a check for \$20,000 which he presented for payment. The teller hastily consulted with the president who promptly came out to greet the customer.

The banker advised that it would not be wise to carry so much money on one's person and that a time deposit seemed best.

"Umph, what meanum time deposit?" demanded the Indian.

"We keep your money for you and pay you interest for its use," explained the banker.

"How many horses cows you gottem? Takeum heap lot for \$20,000."

—M. W. LEE, Farmers State Bank, Boley, Oklahoma

You Call It

ROBERT N. CARSON, Lawyers Trust Company, New York, clipped the following from Lucius Beebe's column "This New York" in the New York *Herald Tribune*:

"FROM CLARKE ROBINSON comes the story of the old codger in a Greenwich Village bank branch, who recently breezed into line ahead of him and flung down a check to be cashed for the sum of 50 cents. 'We want no silly questions about our identity or such nonsense,' he flung out, 'nor any smart quips about the sum of money in question. Just please pay, and pay promptly.' 'Certainly,' said the bank teller placidly, reaching for the machine which discharges silver. 'How will you have it, please, heads or tails?'"

By Any Other Name . . .

A YOUNG TOBACCO farmer opened a savings account. Ten months later he came in the bank, handed his passbook to a teller and said:

"Write down my growin'."

After asking several questions, the teller learned that his customer merely wanted to have the interest entered.

—FRED W. ANDERS, Durham, North Carolina

Specification

SMALL BOY to teller: "I want a checkbook for a woman that folds in the middle."

—FRANCIS M. WILHOIT, Bank of Pinehurst, Carthage, North Carolina

Close

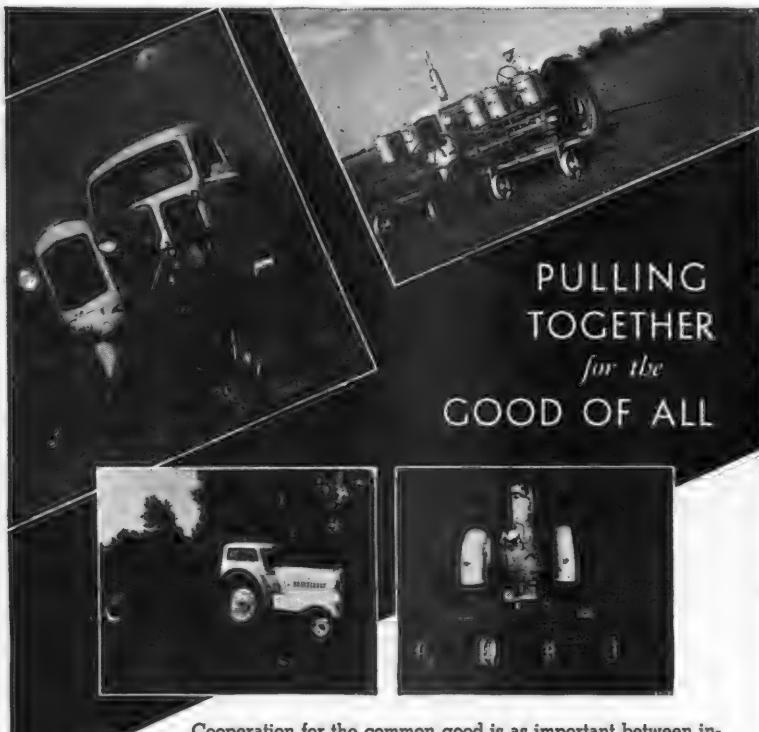
THE NEGRO maid handed her first pay check to the teller and received her money in coins. Carefully she counted and recounted it while the impatient line behind her lengthened. Finally, as she began the painstaking process for the third time, the teller anxiously inquired:

"Isn't it correct?"

"Yassuh," the woman replied, "hit's correct all right. But hit jest barely is!"

—F. WILCKEN FOX, Treasurer, Carbon College, Price, Utah

BANKING



Cooperation for the common good is as important between individuals as between nations. . . . Since farming is the basic activity of our country, a single improvement in operating methods often works to the advantage of hundreds of thousands of consumers. This, besides the added income realized by the farmer himself, has made American farmers attain a position in the economic world never before or anywhere else achieved by any of the world's rural populations. . . . Modern machinery is therefore the pivot around which farm prosperity revolves; and in this connection the name Minneapolis-Moline has for 75 years been a farm favorite. . . . Again in 1940 there will be thousands of farmers who want MM's new HEADLINERS, but will not have the ready cash to purchase these important modern tractors and farm machines. Here local bankers can do their bit. By extending "credit" to deserving farmers they will be increasing business for their entire community including themselves. PULLING TOGETHER WORKS FOR THE GOOD OF ALL.

Branches Near Everywhere



MINNEAPOLIS - MOLINE
POWER IMPLEMENT COMPANY MINNEAPOLIS MINNESOTA

“The Grapes of Thrift”

Maybe you've seen this bit by Paul Jones, editor of the Lyons (Kansas) News. In case you haven't, read it. No need to say it's an antidote for "The Grapes of Wrath."

THE mad, thundering race was over. The Jewell family stood by a tent on the green soil of Oklahoma. "Just think," said Ma Jewell, "this fine farm is ours, just for rushing and taking it."

"Not the one I had my eye on, tho," replied Pa Jewell. "The Joads got that, the one farther down the creek. It's better land than this."

"I rode my horse around and met our neighbors," said Joe Jewell. "Nobody saw those Joads make the run. Folks say they 'soonered' in a day or two ago, hid in the brush of the creek."

"Well, anyway," replied Pa Jewell, "they have a better farm than ours, probably will end up much wealthier."

A few years later: "We had a nice time at the county fair even if you didn't let us spend much money, Pa," said Mary Jewell.

"Got to keep ahead in the bank for a rainy day," replied Pa. "This land is rich and we are doing fine with big crops at nice prices but it may not always be so."

"The Joads don't haul manure and put it on the fields like we do," complained Joe. "And they don't put their money in the bank. They have fun with it. They played all the wheels today, bought flags and canes, and Pa and Grandpa and Tom got tight. Rosasharon won three big kewpie dolls and Ma Joad a leather sofa pillow. Didn't cost 'em more than \$5 or \$6 either. And they had Grandma and Grandpa's pictures enlarged the other day and got \$10 gold frames for them. And they have a phonograph and a lot of records."

A few years later: "I learned in town today the Joads put another mortgage on their farm. I paid the last on ours for the new house. It has been hard to go without many things but I feel better about it. The Joads had to sell all their wheat at 35 cents a bushel, less than cost of production. I still owe for those two big steel bins but I believe this cheap wheat will bring four times the price, maybe next year," said Pa Jewell at supper time.

"Tom Joad got out of his drunken killing scrape, I heard," said Tom. "Had to pay a lawyer \$400 tho. Guess they are having a hard time."

A few years later: "Gosh, that new barn looks swell, Pa," said Tom Jewell, home from college. "When will Mary be back from her trip to the world's fair? How much wheat did the new quarter make? Boy, doesn't that new Buick shine? Gosh, I got a lot of questions to ask. Pa and Ma, you sure look fine and happy. I see the Joad house is empty. What happened to them?"

"They went all to pieces, Tom," answered Pa Jewell. "Lost the farm

and everything else. Sold the few remaining scraps at public sale for just enough to buy an old Hudson car; all piled in and went to California. Hope they do well out there, but I doubt it. Even the Government doesn't seem able to help some folks permanently.

"Hurry in to supper folks. It's fried chicken, roasting ears, cherry pie, canned plums, peas and potatoes, ice cream and cake and we raised everything but the sugar in the cake."

The Cleveland Trust Company

Banking Offices located throughout Greater Cleveland and nearby

CONDENSED STATEMENT OF CONDITION, JUNE 29, 1940

ASSETS	
Cash on Hand and in Banks	\$ 157,774,153.91
United States Government obligations, direct and guaranteed, less Amortization Reserve	98,756,772.51
State, Municipal and Other Bonds and Investments, including Stock in Federal Reserve Bank, less Reserves	9,250,133.40
Loans, Discounts and Advances, less Reserves	139,690,568.44
Banking Premises (including investments and other assets indirectly representing bank premises) less Reserves	6,356,088.11
Other Real Estate (including investments and other assets indirectly representing other real estate) less Reserves	6,361,201.99
Other Resources	1,865,515.90
Customers' Liability on Acceptances Executed by this Bank	243,708.80
Total	\$ 420,298,143.06
LIABILITIES	
Capital Notes (Subordinated to Deposits and Other Liabilities)	\$ 13,300,000.00
Capital Stock	13,800,000.00
Surplus and Undivided Profits	5,503,343.71
Reserve for Contingencies	422,776.63
Retirement Fund for Capital Notes and Accrued Interest to August 1, 1940	498,953.45
	33,525,073.79
DEPOSITS	
Demand	\$ 180,661,217.01
Time	178,350,524.48
Estates Trust Department (Preferred)	17,457,918.64
Corporate Trust Department (Preferred)	5,439,093.81
Accrued Taxes, Interest, etc.	381,908,753.94
Other Liabilities	1,874,940.26
Acceptances Executed for Customers	2,745,666.27
Total	243,708.80
	\$ 420,298,143.06

United States Government Obligations and other assets carried at \$18,856,483.66, are pledged to secure public funds and trust deposits and for other purposes as required or permitted by law.

MEMBER FEDERAL RESERVE SYSTEM
Member Federal Deposit Insurance Corporation

Bank Money Orders

Is there money to be made in bank money orders? How do they differ from official checks and why do commercial banks with checking account services offer them in addition? Will the use of money orders tend to reduce the fees from ordinary and special checking accounts?

These are some of the questions the careful banker will want to answer to his entire satisfaction as he studies the many newly-devised or improved serv-

ices that are offered the public in an effort to provide additional facilities and income.

One bank introduced the bank money order at about one-third of its branch banks as a test campaign. At the end of two months, it found that there was no appreciable drop-off in the number of money orders issued in the second month of the test, although managers had said that they did not expect repeat business because of the increased cost as

compared with cost of official checks.

A second significant fact of the test was that the branch offices averaged considerably more income from the money orders in contrast to a previous "loss operation" on official checks.

As a result of the test, bank money orders will now be offered in all of the company's branches and additional annual income of more than \$20,000 is anticipated at the branches alone.

At first in the test offices, the tellers were fearful that the money order would be in competition with the bank's other checking account services and with the facilities of the post office and competing financial institutions. At the end of the test, however, no loss of business was reported.

There are three general classes of users of checking services.

The first group (by far in the majority), requires a regular checking account for the payment of business and personal bills and is willing to maintain an adequate balance or pay the necessary service charges. The second group has only a relatively few personal bills to pay and these people seem to find the quarterly statement, 5 cents-per-check plan satisfactory.

The third group includes those who have infrequent need for paying bills by some form of check. This is the group that finds the bank money order well suited to its needs.

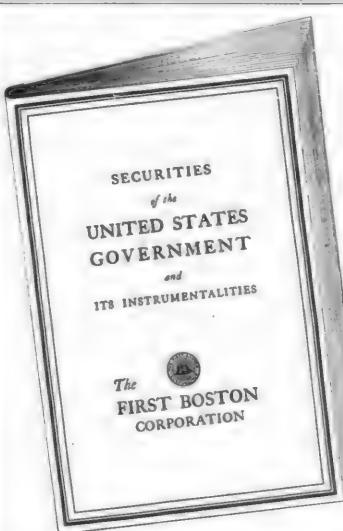
ADVANTAGES

THE test offices found that customers were interested in such features as the receipt stub and the fact that the name of the remitter appears on the face of the money order. One office reported it was less trouble to sell money orders at the present scale than it had been to sell official checks at a straight 10 cent charge. The advantages of the receipt stub and name of the remitter are definite benefits in comparison with official checks. In some instances it also leads to the establishment of a 5 cent checking account.

The schedule of bank money order fees is roughly comparable to those established after many years of experience in the postal system.

The schedule in this instance is as follows:

\$10 or less, 10 cents; \$10.01 to \$50, 15 cents; \$50.01 to \$100, 20 cents; \$100.01 to \$250, 25 cents; \$250.01 to \$500, 30 cents. I. I. SPERLING



Institutional Portfolio Problems

United States Government Corporations and Credit Agencies

Budget of the United States

Tax Exemptions

Estimates of the total of various classes of tax exempt securities

Acceptability for Tax Payments

Analysis of the Provisions of the Revenue Act of 1940

Public Debt of the United States and Principal Changes therein

Exchange Stabilization Fund

Record of Government Financing of Outstanding Issues

A copy will be sent upon request



FIRST BOSTON CORPORATION

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BUFFALO
PROVIDENCE

CLEVELAND
RUTLAND

HARTFORD
ST. LOUIS

LOS ANGELES
SPRINGFIELD

ASK BANKING

Authoritative answers to questions on bank operations

♦♦♦♦♦

Following is the question that wins the \$5 award this month

Are automobile loans, consumer credit loans, etc., the right sort of loans for commercial banks?

THE THEORY that commercial bank deposits should only be invested in short term paper was the objection originally raised to such banks handling consumer credit instalment loans. In practice, however, these instalment loans have proved more liquid than most straight loans. Analysis of the note cases of many banks discloses that from 35 per cent to 65 per cent of the regular 30 to 90 day notes are for amounts under \$500 and that frequent renewals are the rule rather than the exception. The experience with instalment repayment loans, on the other hand, is that the instalments are met when due. Actually

Each month \$5 will be paid for the best question submitted to this department, and \$2 will be paid for all other questions answered here. Generally, the questions should be related to bank methods and operations. Other questions will be answered by letter.

Answers will be given by E. S. WOOLLEY, who conducts the department, and other operations authorities of BANKING.

♦♦♦♦♦
such instalment repayments are merely a recognition of one important lending factor, namely, the borrower's ability to repay. Fundamentally there is no basic difference between a personal instalment loan and a corporation's debenture bonds. The open accounts receivable carried on the books of business houses almost equal the bank deposits at their all time peak, such receivables being about 63 billion dollars as against

the bank deposits of about 71 billion. It would seem that the country would be better off financially if business confined itself to manufacturing and merchandising and left all financing to the banks as credit experts.

Does a trust department pay in a small bank?

THE ANSWER to this question must be *no*, and the reason for that answer is not hard to compute. If it is fortunate enough to have all trusts invested to yield 5 per cent and it receives 5 per cent of that income, a trust department of \$1,000,000 would be receiving a gross annual income of \$2,500. Again giving such a department "all the breaks" and presuming that only 100 different trusts make up that principal, it is obvious that 100 trusts cannot be profitably serviced for \$2,500 a year. As a matter of fact these figures are over optimistic.

BOOKLETS OF INTEREST

OFFICE LIGHTING . . . Scientific investigation has proved that inadequate lighting, in either quality or amount, is very costly to a business and harmful to employees. Lighting authorities state that 20 footcandles is the minimum amount necessary for performing the usual office tasks but that this should vary with the type of work. A table of recommended footcandles for all the different office jobs is contained in an illustrated booklet just issued.

ACCOUNTING MACHINES . . . Concentrating all pertinent information relative to each deposit account on the individual's ledger sheet is provided through the use of a machine described in a six page leaflet. This machine enables the posting of uncollected funds and items handled direct to the depositor's own account. By so doing the analysis at the end of the month is facilitated and the chances of loss through paying out money before it is collected are greatly reduced.

♦♦♦♦♦
Further information on these booklets, all of which will be of interest to bankers, can be obtained by writing to BANKING, 22 East 40th Street, New York, N. Y. Please mention the issue in which the booklet reviews appeared when requesting additional data.

LETTER PAPER . . . Samples of quality paper for distinctive letterheads are shown in a kit just issued. The kit contains samples of letterheads and shows the seven different colors and white in which the paper is available. This paper is, to quote the statement of its manufacturer, "rich in the qualities that business men expect in a paper that is to serve as their personal ambassador".

CHECKS . . . Twenty-five concise and practical suggestions for checking up on the public relations activities within the

bank are given in a booklet just published under the title of "More Ways to Make Friends for a Bank". This booklet supplements one issued last year. The adoption of just a few of the suggestions offered will well repay the time required for reading it.

WINDOWS . . . "Let's Decorate Your Home with Sunbeams" is the title of a 24 page booklet recently published. Many interesting photographs of window installations are shown and considerable emphasis is given to the modernizing of present houses. Several effective "before" and "after" pictures impress the value of windows in beautifying both the exterior and interior of homes.

POWER . . . Eleven different sizes of power units built for four fuels—natural gas, butane, distillate and gasoline—are described in a booklet available to persons interested.

The income would not be so great and there probably would be more than 100 trusts to service. There are many trust departments in banks in which the total trust assets are considerably under \$1,000,000 and yet they are servicing many more than 100 trusts.

All the costs of operating trust departments do not appear on the trust books. For example, a bank must pledge some of its assets for the trust department, and there are many banks which have been compelled by the examiners to substitute assets of the bank for trust assets. Trusts are a highly specialized

business and therefore require the services of trained trust men. As a broad gauge it may be stated that if there is not sufficient income so that the salary of a full time qualified trust officer does not exceed 50 per cent of that income, the bank would be better off without a trust department.

The recent ruling of the Federal Trade Commission regarding interest rates raises the question as to an accurate method that can be used to compute the simple interest on a loan reduced by monthly payments.

FOR BOTH accuracy and speed the use of calculating machines is advised for

such computations. All the calculating machine companies supply the purchasers of their equipment with formulas for working out these and other problems on their particular machines. A number of books containing interest tables have been published, two of them being, *Lake's Monthly Instalment and Interest Tables*, published by A. V. Lake & Co., Oakland, California and *Ten Place Interest & Annuity Tables* by Frederick C. and Maude E. Kent, McGraw-Hill Book Co., New York.

If a bank is a member of the Federal Reserve System is it prohibited from charging exchange on out-of-town checks?

No. It is prohibited from charging exchange on checks drawn on itself whether the presentation is made through the mail from out-of-town banks or across its own counter. There is a great difference between charging for collecting checks drawn on other banks and charging payees for paying checks drawn on the bank itself. A bank has the right to charge only those people for whom it is performing services. It acts as paying agent for the drawers of checks on itself and therefore has the right to charge the drawers for that service. It is representing the drawers and not the payees and therefore has no right to charge those to whom the drawers have made the checks payable. When it collects checks drawn on other banks, whether in town or out of town, it is performing the service of acting as collecting agent for those people who present the checks for collection. It therefore has the right to charge such persons for that service. This in no way contravenes the ruling of the Federal Reserve System.

Could you recommend some books dealing with common trust funds and with the operation of personal loan departments?

Handbook on Common Trust Funds, published by the Trust Division, American Bankers Association; price \$2. *Personal Income Loan Department Installation and Operation*, published by the Bank Management Commission, American Bankers Association; price 25 cents. *Small Loans, an Investment for Banks*, by Walter B. French; published by the Bankers Publishing Co., Boston; price \$1.50. *The Consumer in Commercial Banking*, by Henrietta Cooper Jennings; published by Consumer Credit Institute of America, Inc.; price \$2. *Increasing Personal Loan Business*, by R. E. Doan and G. F. Foley, Bankers Publishing Co., \$2.50. *Profits and Problems in Small Loans*, by H. W. Haines, Bankers Publishing Co., \$3.50.

EXPERIENCE

GIVES YOU THE
RIGHT TO FEEL
SECURE



Consult
your
HOME-TOWN AGENT

Drawing on a broad experience in dealing with risks is one of the advantages of buying insurance from your Home-Town Agent. . . . Likewise experience plays its part in the soundness of the companies behind your policies. The experience of Fireman's Fund covers 77 years, during which more than a quarter of a billion dollars has been paid in claims. Today assets of \$42,000,000 and policyholders' surplus of \$24,000,000 reflect its Strength, Permanence, Stability—give you the right to feel secure. Over 11,000 Agents.

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HOME FIRE & MARINE INSURANCE COMPANY

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DEPENDABLE INSURANCE SINCE 1863



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United Air Lines	20
United Service and Research, Inc.	20



The Nation's Eyes Turn to GREAT LAKES INDUSTRY

As today's events focus attention on America's industrial resources, the nation's eyes turn more than ever to the Great Lakes area.

In this vital industrial region, Central National Bank offers the benefits of 50 years of experience in prompt handling of financial transactions.

Your correspondent relationship with Central National, therefore, is assurance that transit items will clear with dispatch, and that collections will be carried out with preciseness.

We welcome inquiries from banks or business organizations desiring to "Central-ize" their activities in the important Great Lakes Area.



CENTRAL NATIONAL BANK

of Cleveland

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

IT TAKES THREE KINDS OF MONEY TO BUY PEACE OF MIND



To meet the problems that come in time to every man... to enjoy true peace of mind... you need, not one, but really *three* kinds of money.

For emergencies such as illness or accident, a man needs a kind of money that he can use immediately—money in the bank.

The protection of his family calls for yet another kind of money... money that is always ready to come to the support of his wife and children should he die.

The great need for these two kinds of money is well recognized. One out of every 3 families in the country has a savings account. One out of every 2 has life insurance.

But an ever-increasing number of people realize there is a need for a third kind of money. This is money that will be accumulated, step-by-step, during the years of greatest earning power, to provide a substantial sum for declining years.

This third kind of money may determine whether old age will be a time of security and comfort—or regret. It is the kind of money *every man* must provide for himself—and for his family—if he is to enjoy true peace of mind.

The First Step

If you make a regular and adequate income, yet still find yourself unable to accumulate money, the first step is to find out *where your money goes*. Keeping a record of what you spend is essential if you want to make the most of your income.

To help you take this first, important step, Investors Syndicate offers, without obligation, a booklet, "Living" Expenses... a simple, easy way to find out where your money goes. This is not a budget book. For your copy, mail the coupon immediately to Investors Syndicate. Enclose 10c in coin or stamps to cover handling and postage. Do it now!

Home Office, Minneapolis, Minn. Affiliates: Investors Syndicate Title & Guaranty Co., New York; Investors Syndicate, Limited, Canada.

INVESTORS SYNDICATE

Living Protection... Estab. 1894



INVESTORS SYNDICATE
Dept. B-80, Minneapolis, Minn.

Please send me your new booklet "Living" Expenses.
Enclosed is 10c to cover cost of handling and mailing.

Name _____

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This advertisement is typical in character of a series sponsored by Investors Syndicate and now appearing in national magazines.

★ ORGANIZATION ★

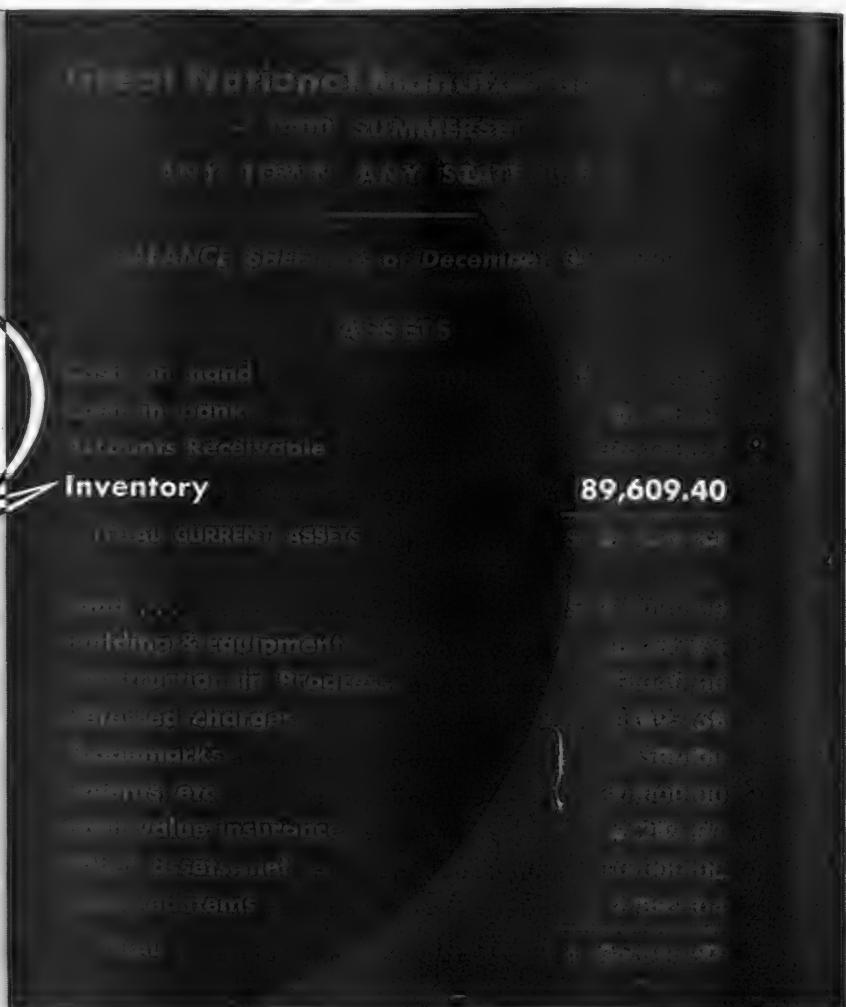
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NATIONAL CONFERENCE ON TRUST PROBLEMS—BANKS AND NATIONAL DEFENSE
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"I WANT
TO BE
A LOAN!"



**IF A BALANCE SHEET COULD TALK,
INVENTORY WOULD SAY, "I WANT TO BE A LOAN!"**

An increasingly large number of loaning officers in the nation's Banks are learning that readily marketable inventories are excellent collateral for commercial loans when the Banks' interests are protected by the Lawrence System of (on-the-spot) field warehousing. The Banks get bigger, adequately

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LAWRENCE SYSTEM
• • • • CREATING COMMODITY PAPER AGAINST INVENTORY

The Editorial Page

By WILLIAM R. KUHNS

Two Things To Remember

THE NAME sounded something like General Fitzhugh Lee but it doesn't matter. The short wave receiver caught his measured reassuring words meant for British and not American ears. "It is no disgrace, I say, to be afraid of bombs and shells, but bear in mind two things in the days ahead. First, it's the noise that is rilly more frightening than the actual explosion, and, second, it is a disgrace to be scared out of your wits."

He might have gone on to say that fear is a good thing sometimes if it delivers us from the evil of smugness and drives us to calm, deliberate action instead of panic. It is hard to say whether it was fear or anger that actuated us in those days that now seem far in the past when the Germans sped across Holland, Belgium and northern France.

All that we know is that something made us jump and we realized that we had been committing that most dangerous and foolhardy of human blunders—talking when we should have been listening and thinking.

* * *

WHEN TO CROSS A BRIDGE. In preparing to go the limit to provide ourselves with a military and naval establishment in keeping with our eminence and circumstances in the world, there is a persistent, disturbing question that keeps coming right back no matter how hard we try to think of something pleasant. . . .

What is going to happen to private enterprise and individual freedom under a squads-right economy? The kind of democracy we specialize in is tough and strong, but we do not want to take any chances with it.

Now, there's no denying that we ought to keep a weather eye on our totalitarian liberals, especially when they are quiet, but isn't it just barely possible that the right time to worry about this particular bridge is when we come to it?

Voltaire said that optimism is the madness that maintains things are all right when they are all wrong. Is it straining to find a bright side of the picture to suggest that the Government is going to need all the private enterprise it can stir up in the months to come? Isn't it true that the cancerous process of socialization made far easier headway during our recent state of national coma than it ever did in our history or is likely to do in the critical period that lies ahead?

The discipline, patriotism and personal sacrifice needed today are a long way from the gorgeous fallacies and bilious nonsense of Marx. It is certainly within the limits of possibility that private enterprise is more of a living, vital force in America today than ever before and when we finally get a glimpse of the recovery that has been just around the corner for the past 10 years, it will bear a complete family resemblance to previous recoveries.

Peace Preferred

THERE ARE LOTS OF THINGS that Americans would rather think and talk about than tanks, guns, gas masks, planes, powder, strategic metals and industrial mobilization. As a people we have no taste for war, certainly no liking for it and no desire whatever for new worlds to conquer, at least until we have conquered this one we have. Perhaps we ought to have a little more of the spirit of conquest, for our own good, but we haven't, so that's that.

We thrive on peace. The kind of individual rights we believe in can live only in an atmosphere of peace. Economically, the same thing is true and we want peace because of business reasons. The whole idea of using billions of dollars and millions of men for military and naval purposes offends our common sense.

Banking particularly, as it is practiced by us, is the very essence of peace and economic freedom because with us character and ability are still better security for a loan than membership in a certain political party. Bankers know better than any one group that war and normal business do not mix. . . .

But . . . There's a job to be done and no choice in the matter and you'll find business men and bankers everywhere putting their shoulders to the wheel. Every organized unit of American banking from the national association to the smallest clearinghouse and county group has its work cut out for it. The leadership and broad responsibilities of the officers of the American Bankers Association in the national field can be energetically supported and supplemented by teamwork in every community.

In your own town or banking area, if you have not already done so, why not start right away to make a systematic checkup or inventory of all businesses employing more than 10 or a dozen persons. Find out where each can fit into the rebuilding-America program. It would be much better to do the work as a group in cooperation with other banks and chambers of commerce but the main thing is do it and make a thorough job of it. After you have finished, the next step is to advertise the results.

Use whatever means and media are within your reach to tell the world about your community and let people know what industrial facilities it offers, how much idle plant capacity would be suitable for making arms and the thousand and one items of defense equipment. What is your local labor situation? Do not guess but furnish facts about these matters and the amount of flexibility in your payrolls.

It is a foregone conclusion that hundreds of new and branch plants will be built in the next year or two. The selection of sites will make or break communities and is bound to stir up lively competition. Here is a good chance to get in and play ball and work off a little fat.



Electric power

CUSHING



Oil refining, above; Radio manufacture, below

ESSO MARKETERS



RCA VICTOR

Set sail for **ATLANTIC CITY** CONVENTION - CITY - BY - THE - SEA

Atlantic City — this year's A. B. A. Convention City — is situated on an island five miles from the mainland of Southern New Jersey. It seems to rise mirage-like out of the sea. Its beautiful hotels, bizarre in color and form, stand at the very edge of the surf, their loftiness sharply silhouetted against the clear, smokeless sky. Atlantic City is different—different in color, different in architecture, different in setting — different even in the quality of its air. It is clean — bright — fresh — wholesome.

Plan now to attend the 66th Annual Convention of the American Bankers Association in Atlantic City, September 22 to 26. Use the enclosed Application Blank to specify your hotel needs.



Come to Atlantic Ci

See Industrial New Jersey

WE borrowed the above illustration from the folder sent by the American Bankers Association to its members reminding them of the 66th Annual Convention of the Association at Atlantic City, New Jersey, September 22-26.

To this famous recreation center hundreds of bankers are coming for a discussion of mutual interests that have been sharpened by war abroad and preparedness at home. In Convention assembled they will represent those "normal banking channels" through which, as President Hanes of the A.B.A. has said, a very large

Automobiles

TRIANGLE





Atlantic City in September

part of the financing incident to the national defense program can be handled.

Able and willing to make every sound loan, the bankers and their banks constitute a primary defense unit.

Atlantic City suggests the eastern seaboard, and that, in turn, is a symbol of the country's industrial strength. Many bankers attending the Convention from other sections will take occasion to visit some of the huge plants that turn out the goods of trade and of defense.

On these pages are a few samples of New Jersey industries—representing the seaboard—at work.

Airplane motor manufacture



Automotive parts



Soap manufacture, above; Coke, below



Do You Remember?



UNDERWOOD & UNDERWOOD

LOS ANGELES 1921—When this picture of A.B.A. officers was taken, the country was at the beginning of the period of "post war problems." *Left to right*, First Vice-president Thomas B. McAdams; President John S. Drum (standing); Executive Manager Guy E. Bowerman; Second Vice-president John H. Puelicher; and Secretary-Treasurer William B. Fitzwilson

CHICAGO 1924—Walter W. Head, *left*, A.B.A. President, and Sir John Aird, president, Canadian Bankers Association. The old caption on this picture says: "Both issued optimistic reports on America's and Canada's financial situation"

TEN or 20 years from now pictures that are taken at Atlantic City in September by professional photographers or by amateurs will be just as interesting and "historical" as those displayed in this chosen-at-random selection recalling past Conventions of the American Bankers Association.

Many of BANKING's readers will recognize old friends and acquaintances in these photographs, and will recall the Conventions at which the pictures were taken.



P. & A.



EN ROUTE—M. Plinn Beebe, president, Bank of Kimball, S. D., sent this photo, on the back of which is written: "Picture taken at Multenomah Falls in 1921 of Wisconsin Bankers and others en route to Los Angeles Convention of 1921." Mr. Beebe himself is standing at the extreme right. Know any of the others?



NEW ORLEANS 1935—The year of the Social Security Act, the Banking Act of 1935, and other important legislation, saw Orval W. Adams elected Second Vice-President of the Association. *Left to right* in this New Orleans Convention group are Charles F. Zimmerman, Huntingdon, Pa.; Mr. Adams; William S. Elliott, Canton, Ga., now State Bank Division President; standing, left, F. T. Hodgdon, Hannibal, Mo., and Carl W. Fenninger, Philadelphia

COURTESY NEW ORLEANS TIMES-PICAYUNE



LOS ANGELES 1932—In this year of economic distress the A.B.A. again met in Los Angeles. *Left to right*, A. M. Chaffey, president, Los Angeles Clearing House Association; Harry J. Haas, Philadelphia, retiring President; Francis H. Sisson, New York, incoming President



CLEVELAND 1930—The country realized that it had a serious depression on its hands. President Hoover addressed the Association



SEATTLE 1939—When the Association held its 65th Convention, Totalitarianism and Democracy pecked at each other across the Maginot and Siegfried Lines and people talked cynically about "this phony war." *Right*, delegates on a sight-seeing trip to Vancouver, B. C.

Building Banking Business IV

Nature and Sources of Staff Conference Material

By WILLIAM POWERS

Mr. POWERS is Director of Public Relations of the American Bankers Association.

BANKS that are the most successful in training their employees to participate more actively in improving customer relations and increasing the sale of banking services appear to hold the view that background information is a necessary part of any business promotion effort. Through their staff conferences these banks endeavor to provide their personnel with facts about their own institutions that prepare the staff members to answer intelligently the questions constantly being raised by customers. The answering of these questions often contains possibilities of good will building and sales suggestion that require a rather intimate knowledge of facts pertaining to the bank's condition, its administration, its functions and its services.

Generally these banks believe that before any employee is fully qualified to represent his institution in the field of customer relations, before he can make real progress in selling his bank and its services, he must be well informed on his own bank's policies, its affairs, its operations, the general banking structure, banking legislation and the regulations of supervising authorities. The nature and sources of information on these points are worth reviewing, especially for the benefit of some bankers who feel that staff conferences cannot be carried on long because they "run out of stuff".

POLICIES AND AFFAIRS

Of necessity, most of the facts concerning a bank's policies and affairs must be drawn from internal sources—the directors and officers who create the policies and carry the responsibility of shaping the bank's progress so that it is in line with policy requirements. Although these requirements vary according to conditions prevailing in individual banks, the following general outline indicates some of the angles which a number of banks have developed into excellent discussion material:

PERSONNEL POLICIES

Approved procedure for selection of new employees; aims of employee training plans; support of inside and outside educational efforts; working hours and conditions; bases of promotion considerations; job and personnel ratings; salary standards and reviews; group insurance and pension plans; medical care; sick leave; vacation arrangements; social and recreational activities.

LOAN POLICIES

Attitude on various types of personal and commercial, secured and unsecured loans; interest rates established for different classes of loans; data demanded in support of loan applications; average balance requirements; cooperation

with other banks on matters involving exchange of credit information; approved methods of promoting increase in loan volume.

INVESTMENT POLICIES

Types of securities carried; yield on various classes; diversification program; sources of securities information used; amortization plan followed; reserves carried.

CONTROL POLICIES

Budgeting of income and expense; audit and examination standards; authority of auditor or comptroller; primary and secondary reserve requirements; deposit, reserve, capital, loan and other ratios maintained.

ADVERTISING POLICIES

Size and use of appropriations; nature of copy and its purpose; media used and territory covered by each classification; responsibilities of the advertising director, the counsel, the agency; costs and apparent returns.

CUSTOMER AND PUBLIC RELATIONS POLICIES

(To be outlined and detailed in the series of booklets on business development procedure, which will be published by the American Bankers Association in September.)

BANK'S AFFAIRS

Analysis of the bank's statement of condition; comparison with previous periods and with statements of other local and out-of-town banks; study of trends reflected; important items of income and expense; earnings and operating costs; taxes; losses; recoveries; analysis of president's annual report to stockholders.

THE information required to enlighten employees on operations and the services they produce must also be obtained, almost entirely, from sources within the bank. It should be apparent that a review, in staff conferences, of all the operating and control elements which form the services rendered by every department provides sufficient material for continuous profitable consideration, especially if approached from the critical as well as the informative angle.

Material on legislation must, naturally, be drawn from state and Federal statutes relating to banking and credit control. Regulatory orders and requirements based on legislation and promulgated by state banking commissioners, the Comptroller, the Federal Reserve Board, the F.D.I.C., the Treasury, and other supervising bodies also provide a never-ending source of staff conference material.

In the September issue of BANKING a description of the Association's manual on the sale of banking services will indicate how these sources of background information should be used in building banking business.

Bank Wages and Hours

A. L. M. WIGGINS

The article on this page is the text of a letter written by the noted Chairman of the Association's Committee on Federal Legislation and sent to all members of the organization.

IN response to a request of the American Bankers Association, the Administrator of the Wage and Hour division held a hearing in Washington on July 9 to consider proposals for a re-definition of executive, administrative and professional employees who are exempt under the Fair Labor Standards Act. Nine bankers presented to the Administrator the practical operating problems of their banks and the difficulties of complying with the Act under the present regulations. The hearing lasted a full day.

In order that the members of the Association may know something about the work of our Committee on this subject and the program upon which we are working, I will give a brief résumé of our situation with respect to this law.

Until the courts have spoken, it is impossible to say with certainty that bank employees come under the law. It is solely a question of whether or not bank employees are engaged in interstate commerce. There is also a question as to whether or not banks come within the definition of service establishments. In the absence of a determination of these matters by the courts, we have proceeded on the assumption that the courts might hold that bank employees are under the Act. Therefore, we have consistently advised the banks to operate in strict compliance with the law.

During the present session of Congress a number of amendments were offered to the present Act, some of which would have provided considerable flexibility to the law. An amendment to permit the averaging of hours over a period of several months was approved by the House as a Committee of the Whole, along with numerous other amendments to the Act, but all amendments were defeated in the final vote of the House. No further attempt to secure amendments to the Act is contemplated in the present session of Congress.

The only relief that banks may hope to secure at the present time is by way of administrative regulation. Such relief must come by way of an interpretation by the Administrator of the meaning of "executive, administrative and professional employees."

Since the Act was first passed, we have held many conferences with Mr. Elmer Andrews, the first Administrator, and with Colonel Philip B. Fleming, the present Administrator. The purpose of these conferences was to show the Administrator the difficulties confronting the banks in their efforts to comply with the law and to show also that the technical requirements of the Act should not apply to salaried employees in the upper brackets.

The original regulation defining executive and administrative employees treated the two groups as one and contained so many conditions that comparatively few bank employees were able to qualify for exemption. The definition of a professional employee is also very restrictive. The present regulations are general in nature and cover every kind of business that is included under the Act.

Our first approach was to ask the Administrator to consider the adoption of separate regulations applying in particular to banks of deposit, savings banks and trust companies. Our second request was for the adoption of new regulations re-defining separately the terms "executive, administrative and professional" employees of banks.

Our method of presenting the matter to the Administrator was (1) to submit definitions which seemed to us proper and appropriate and regulations containing these definitions; and (2) to show by witnesses just how the application of these definitions would affect banking operations, what employees would be exempt and the nature of the work done by such employees.

During the months preceding the hearing we prepared tentative regulations and submitted them to a number of representative bankers throughout the country and asked them to apply these regulations in their own institutions and advise us just how they would affect their situation and to suggest any changes which, in their opinion, should be made.

Many bankers cooperated in these studies and a number of suggested changes were made in the tentative regulations under consideration. When we had finally satisfied ourselves with definitions that seemed to offer reasonable relief and were at the same time consistent with the spirit and purpose of the Fair Labor Standards Act, we asked for the hearing.

In order to secure a fair cross-section of banking both by geographic distribution and according to size and nature of institutions, we selected a number of bankers who were familiar with the problem and asked them to come to Washington to testify. Other bankers were invited to Washington to confer with our Committee. The result was that nine bankers were selected to testify in support of the proposal submitted. One banker was the executive officer of a bank having capital stock of \$36,000. Another was from an institution having resources in excess of one billion dollars. Another was from a large trust company engaged primarily in trust business. Still another represented a group of banks having problems of seasonal activities. Following is a list of the individuals who testified:

Mr. Francis G. Addison, president, Security Savings and Commercial Bank, Washington, D. C.; Mr. H. G. Brown, executive vice-president and cashier, Shenan-

doah Valley National Bank, Winchester, Virginia; Mr. H. E. Cook, president, Second National Bank, Bucyrus, Ohio; Mr. Howard A. Foster, secretary and trust officer, Provident Trust Company, Philadelphia, Pennsylvania; Mr. H. Lee Huston, cashier, Columbus Junction State Bank, Columbus Junction, Iowa; Mr. C. Edgar Johnson, assistant vice-president, First National Bank, Chicago, Illinois; Mr. Millard F. Jones, executive vice-president, Planters National Bank and Trust Company, Rocky Mount, North Carolina; Mr. Clay W. Stafford, cashier, Ames Trust and Savings Bank, Ames, Iowa; Mr. A. L. M. Wiggins, Chairman of the Committee on Federal Legislation, American Bankers Association, and president of the Bank of Hartsville, Hartsville, South Carolina.

The major objectives of our testimony were to show:

1. That this law was designed for an hourly wage system and if strictly applied would break down the guaranteed monthly salary system universally used by banks.
2. That the guaranteed monthly or annual salary system used by banks is more satisfactory to employers and employees and more in the interest of employees than an hourly system of compensation.
3. That, although the hours generally worked by bank employees average 40 or less per week, there is a variation from week to week due to the nature of banking operations and the service requirements of the public.
4. That the limitation in the requirement as to hours prevents

many employees from devoting additional time to learning other operations of banks which would enable them to qualify for advancement.

5. That the present executive, administrative and professional definitions are so restrictive that they do not include many employees who actually work in such capacities.

6. That there should be separate definitions of executive and administrative employees, also a new definition of professional employees, based on a realistic and practical consideration of the functions they perform.

7. That combined with the functional basis, or, as an alternative, a salary basis should be used to determine the exemption of executive and administrative employees.

We submitted proposed re-definitions of the terms "executive, administrative and professional employees" which we believe will accomplish:

1. Greater flexibility in serving public needs.

2. Greater opportunities for bank employees in the upper groups (who would be exempt) to equip themselves for advancement.

3. A lessening of the difficulties of management.

4. An interpretation of the law that is reasonable.

5. No disadvantage to employees who will be exempt and no lessening of the protection to employees in the lower wage levels.

The Association will supplement its oral presentation with a memorandum summarizing the testimony. It is anticipated that a ruling will be given prior to October 24th when the 40 hour limitation of the law becomes effective.

The Road to Safety

DOUGLAS SOUTHALL FREEMAN, Editor, Richmond *News Leader*, before the Graduating Class of THE GRADUATE SCHOOL OF BANKING.

MILLIONS of our Americans have been absurdly frightened over what they regard as imminent war and certain invasion. It is futile perhaps to tell them that invasion continues highly improbable; but it is in order to tell them that the economic war of continents will begin as soon as the Germans can integrate their conquests.

We shall have perhaps 75 per cent of the world's gold at the command of the American bloc; the Reich thinks it has 75 per cent of the brains and believes it can muster a like percentage of the force of the world behind barter. The conflict of ideologies ends, as it usually begins, in an economic struggle.

Ahead of us lies, perhaps, a period during which our public men will be tempted to be the Gamelin of our industrial war—to persist in optimism regardless of reality.

We must be prepared to challenge them with facts and to call on them to present facts. If we have a heart to demand the truth of armament, not in unwilling words wrung from a witness before a Congressional committee, but in clear reports for any man's understanding, then we may be sure that the mighty machine of our industry will be geared to full production.

This is as true of finance as of armament. If American financiers who speak for the taxpaying, not for the tax spender, will develop a technique to show the average

newspaper reader what armament and government are costing him, we shall escape much of the waste that usually inheres in war when the "lid is off."

As a nation, as individuals, we must learn anew the discipline our fathers had in the days of civil war and reconstruction. That our nation may have more for our defense, we must need spend less for our luxuries. Longer hours, rather than shorter, should be our aim when we see a France brought to servitude within four years after proclaiming the new freedom of a forty-hour week.

Is America to survive? If that question is less academic today than it has been since April 1865, the answer that comes from the past is an assured one: Yes, America will survive—if her sons will cease to think of her as a Lady Bountiful and regard her as a mother for whom, from the love they bear her, they are willing to sacrifice.

The road of individual self-discipline and self-denial is the road to America's safety, to her happiness, and to her world service.

For the Public's Information

LEAST is wasted where the light is brightest. If American financiers who speak for the taxpaying, not for the tax spender, will develop a technique to show the average newspaper reader what armament and government are costing him, we shall escape much of the waste that usually inheres in war when "the lid is off."—Dr. FREEMAN.

Masters of Their Business

ROBERT M. HANES, President, American Bankers Association, before THE GRADUATE SCHOOL OF BANKING.

IN the face of the terrible events abroad, the uncertainty of the present outlook, and the dark prophecies for the future, it is heartening to find 700 mature men with steady nerves and steady purpose, carrying out at considerable personal sacrifice, a program of self-development in the interest of themselves and of the segment of the business order of which they are a part.

The outlook is uncertain. The future may hold unpredictable possibilities which we shall have to meet as they arise. The best preparation for the future lies in the development of our capacities in the present. We shall be prepared to meet the changes of the future to the degree that we are masters of ourselves and our profession in the present.

The banking system is the keystone of the American economic order. Whatever strains and whatever changes are visited upon the business order by the conflict in Europe will be reflected in it. They can be coped with

successfully only by bankers who are masters of their business.

From this point of view The Graduate School of Banking is the hope of banking.

We have been blessed in this country with a banking system which has always been kept responsive to the country's needs. It has been unique among the banking systems of the world in that it has always been a decentralized system of locally-owned community banks, in contrast with the highly centralized banking systems of other countries. But by its very nature it has in the past reflected a certain amount of parochialism. Indeed, in a vast, diversified country such as ours, that is bound to be a characteristic of life.

To an astonishing degree such parochialism as has existed in banking has been overcome by this Graduate School of Banking. It has lifted the thinking of hundreds of men beyond the confines of their own local business environment; given wider horizons to their thought and an understanding of banking and the economic forces related to it, national in its scope.

Cart Before Horse

EMMETT F. CONNELLY, President, Investment Bankers Association of America, before the NATIONAL RETAIL DRY GOODS ASSOCIATION.

THREE is only one way to set up an effective preparedness program—and everyone here knows what that way is. It is to mobilize the best business and industrial brains in the country, give them the "green light" and put them to work.

But instead of proceeding in this logical and sensible manner, we are asked not only to provide the billions that are needed but possibly to lay ourselves open to repeating the mistakes which, in a similar emergency, have cost England and France so dearly. It does not appear that businessmen are to be entrusted with the organization and execution of this program. The President has appointed an excellent "Advisory Committee," including such outstanding industrial leaders as Edward Stettinius, William Knudsen, and Ralph Budd to serve under the National Defense Council consisting of Cabinet members. They can only serve as "advisers." It is not at all clear that they are to have any real authority.

It seems to me that the cart's before the horse. The National Defense Council might more properly play the adviser's role and let the businessmen be the operating committee, clothed with full power and authority to act with the minimum of "red tape." After all, businessmen built this nation, not politicians, and businessmen will save it if given the opportunity. It should be your duty and mine to insist that our representatives in Washington, whether they be Democrat or Republican, turn this

job over to experienced workmen who know how to do the job because they have been through the mill of hard knocks.

In saying this, I want to make clear that, in the present grave situation, there is no lack of enthusiastic loyalty on my part to do everything as promptly as possible to insure our own defense. But we must also be sure that our endorsement and support is practical and realistic and not merely based on a blind, unquestioning allegiance. Between the two there is a vast difference as every businessman knows from his own experience.

I submit that if ever there was a time when we needed efficient management of production, careful synchronization of industrial processes with the needs of defense, that time is now. I maintain that if there was ever a time when we needed to take out insurance against the political, social, and economic "hangovers" that followed the last war, that time is now.

After the War

WHETHER this war is long or short, it will be followed by a sharp economic dislocation. The wise banker will assume that interest rates will continue low. He also will assume that government interference and government control are here to stay, and bankers will learn to work with the Government, trying intelligently to steer its course.—William A. Irwin, Educational Director, American Institute of Banking.

Scrapbook



Above, William Powers, A. B. A. Director of Customer Relations, before the North Carolina Bankers Conference at the University of North Carolina last month. *Below*, Graduate School of Banking students on the Rutgers campus, when the School's sixth session took place



S0210
BANKING



Above, "On the Banks of the Old Raritan"—community singing at the Graduate School

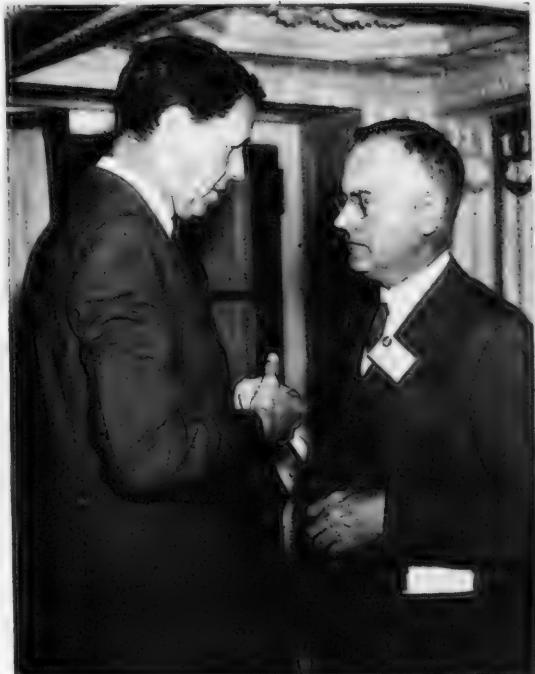
STEINMETZ



Left, some of the more than 70 bankers who took part in the fourth annual Stanford Graduate School of Business on the Leland Stanford campus, a five-day program.

Bottom, left, seminar leaders at the Stanford school. Left to right, J. Knight Allen of the Stanford faculty, Adam S. Bennion of the Utah Power & Light Co., Robert F. Sims, Anglo-California National Bank vice-president and chairman of the California Bankers Association conference committee.

Bottom, right, W. Randolph Burgess, president of the New York State Bankers Association, and Otis A. Thompson, president, National Bank & Trust Co., Norwich, N. Y., at the association's convention.





Conventioners Maze, Wilson, Hughes, Irwin and Burgess at the New York State meeting

HARRIS & EWING



President Dahlgren of the Vermont Bankers Association



4-H Club girls and dresses they made, a display of the agricultural committee of the New York association



President Mountain of the Montana Bankers Association

Some of the participants in the Second Georgia Bank Conference, Macon





STATE ASSOCIATION PRESIDENTS—*Left to right*, K. O. Sattre, Minnesota; Ernest Patton, South Carolina; Max Stieg, Wisconsin



STATE ASSOCIATION PRESIDENTS—*Above, left to right*, Charles H. Stewart, Oregon; LeRoy Schouweiler, Idaho; Charles R. Reardon, Illinois. *Below, left to right*, Sam R. Park, Michigan; Thomas H. Blanton, Virginia; Leonard F. Timberlake, Maine



IN GEORGIA—At the Second Georgia Bank Conference, *left to right: first row*, Miss Rosalind Smith, Claxton; William Powers, A. B. A., New York; Henry C. Frazer, Atlanta; Haynes McFadden, Atlanta; *second row*, W. G. Lee, Macon; William A. Irwin, A. B. A., New York; Miss Emily S. Henderson, Chickamauga; Walter B. French, A. B. A., New York; *third row*, E. S. Lee, Macon; Miss Nita Lee, Metter; A. G. Brown, A. B. A., New York; C. R. Bradford, president, Georgia Bankers Association, Monroe; Freeman Strickland, treasurer, G. B. A., Atlanta; T. Rad Turner, Macon; Malcolm Bryan, Atlanta



IN NORTH CAROLINA—Gurney P. Hood, banking commissioner of the state; Mrs. Alexander Wall, Philadelphia; J. M. Broughton, governor-elect; Alexander Wall, secretary, Robert Morris Associates, Philadelphia. The picture was taken at the Chapel Hill conference

AT WISCONSIN—Two attractive panels used at the Wisconsin Bankers Association convention to illustrate the organization's services to members

'YOUR MONEY AND MINE'

A motion picture produced by the Wisconsin Bankers Assn. Shown by members to 120,000 Wisconsin people.

PUBLIC MEETINGS

OVER 17,000 ATTENDED

Human Nature

MILTON WRIGHT, Customer Relations Department, A.B.A., before the ROCKLAND COUNTY (New York) BANKER'S ASSOCIATION.

BANKERS certainly have an opportunity to learn about human nature, and some of them use this knowledge to good advantage in getting prospects interested in taking on additional bank services.

Up in New England there is a bank which has been very successful for some time past in getting itself named as executor of wills. Most of this business is obtained by the cashier, and this is one of his stunts.

Lying on his desk is a very attractive little booklet, bound in leather, bearing the title, *Facts About Your Will*. Also on the cover, stamped in gold, is the cashier's name. This booklet is left in a spot where any visitor sitting beside the desk cannot fail to see it. The cashier, in the course of the conversation with some one who he thinks might be a prospect, always makes it a point to have to attend to something or other, leaving the visitor alone for a moment. Inevitably, the visitor picks up the attractive-looking booklet.

When the cashier returns, the booklet is in the visitor's hands. Then the cashier says:

"That's a mighty useful little book there. It tells a man everything he ought to know about wills, and, believe me, there is plenty of information that is necessary. There are a lot of important little things that most of us don't know about."

"Very interesting," says the visitor. "I'd like to read it."

"I wish I could give it to you," says the cashier, "but I need it myself. I use it every day."

"Well, I don't want to take it if you need it," says the customer.

"I have some influence with the people who issue this booklet. I have done them some favors and they ought to be willing to do some for me. I'm going to ask them if they haven't an extra copy they can spare for you."

In a few days the cashier receives a duplicate of this "private, personal" booklet on wills, stamped with the visitor's name in gold on the leather cover. He presents it to the visitor. The booklet is thereafter cherished as something extra special, and it has been a big factor in building up the trust business in that particular bank.

IN the course of our A.B.A. study of business-getting methods for banks, we ran into nearly all the angles of salesmanship. It is not surprising, therefore, that we came across the episode of the traveling banker and the farmer's daughter. This traveling banker is the assistant cashier in the center of the farming country in northern New York State. He is a key banker, and has made a reputation as a business getter.

This young man is out of the bank substantially all of the time, digging up business. He is becoming more widely known all the time, and, according to what they tell me, this is how he accomplishes it. He will be driving along a country road on business for the bank, and will



Stretching a Rubber Check

notice some hen houses. He will turn in, drive up to the farmhouse, and speak to the farmer's daughter. His excuse is that he wants to buy a dozen eggs.

Now it takes a little time to gather up a dozen eggs, find something to put them in, and make change. All of this time provides the traveling banker with an opportunity. He has a winning manner, and the farmer's daughter proceeds to tell him all she knows. Presently, the farmer, himself, appears to find out what this good-looking young man is doing there. And so the traveling banker engages him in conversation. He finds out how many cows, pigs, and chickens he has, how much money he owes on his farm equipment, what the size of the mortgage on his property is, what his income the last year was, and what he has planted for the next season.

HE also has found out what the farmer's desires and needs are. The farmer, for example, may say that he would put up a new barn, or buy some more chicken houses or a few more cows if he only had the money. By this time they have reached the point where the banker tells him that he could borrow the money from the bank, and the banker drives away from the farm with an application for a loan in his pocket.

He doesn't have to say good-bye to the farmer's daughter, because it has dawned upon her that the handsome banker wasn't interested in her, but in business.

This young banker has told me that often he has arrived home at the close of a day with a dozen dozen eggs, bought at a dozen different farms for purposes of getting the farmers interested in using his bank.

This fellow gets business because he is always looking for business. No matter where he is or what the circumstances are, he makes it a point to sales-salt his conversation. He will be driving along a road, and see a man coming in the other direction with a load of hay. He will stop and ask directions, follow them up by asking the price of hay, then ask the profit on it, and as likely as not, he will have found another customer for his bank.

Telling the Public

LESTER GIBSON

Mr. GIBSON is Director of the American Bankers Association News Bureau.

NINETY thousand letters, questionnaires and incidental pieces of literature—55,000 to get the data, and 35,000 to tell the public about it—were employed by the American Bankers Association in the execution of its second survey of bank lending activity recently completed.

As a result of this tremendous undertaking the A.B.A. was able to tell the public that 44 per cent of the nation's banks made 25 million credit extensions last year totaling 40 billion dollars, and that there was an increase in the volume of new loans during this second half of the year, 10 per cent in number of new loans and 20 per cent in amount.

This news, broken down in some detail, was given to the public by the A.B.A. News Bureau early in July.

It all began a year ago when a group of bank credit men in attendance at The Graduate School of Banking helped the Association's Research Council to draw up a questionnaire that would elicit from the banks data on bank lending activity which would refute the thoroughly propagandized idea that banks would not lend.

The story of that first effort has been told. It will suffice to say that the publicity resulting therefrom proved to be a forceful antidote to this propaganda.

This same group of bank credit men met with the Research Council again last Winter to revise the questionnaire in the light of the experience had with the first one. In March of this year the Research Council sent the new questionnaire to every commercial bank holding membership in the A.B.A., together with a letter from President Robert M. Hanes, urging the banks to supply the desired data. This consisted of the number of new loans made, the number of loans renewed, and the number of mortgage loans made, together with the total dollar volume of each classification, between July 1 and December 31, 1939.

THE questionnaire was sent in duplicate to more than 12,000 banks in order that each might have a copy to retain in its files. This effort was repeated five weeks later with a questionnaire in duplicate and another letter from Mr. Hanes sent to banks in those states from which the number of replies was too low for practical use. Two thousand letters were sent by state bankers association secretaries in 18 states to banks in their states not members of the A.B.A., with questionnaires in duplicate; 1,500 personal letters were sent by the director of the Research Council to banks which replied to the first survey but not to the second; 500 letters were written by him covering special requirements; 200 special letters were written on incomplete returns; and 2,000 copies of the Research Council's booklet,

"Bank Lending Activity," were sent to 2,000 non-A.B.A. member banks.

The result was replies from 44 per cent of the nation's commercial banks. The figures were tabulated by the Research Council and turned over to the News Bureau.

The tabulation of the returns showed:

6,333 banks or 44 per cent of the country's commercial banks made between January 1 and June 30, 1939:	
12,680,000 new loans totaling	\$23,120,000,000
12,033,000 renewals of loans totaling	15,791,000,000
285,000 new mortgage loans totaling	899,810,000
24,998,000	\$39,810,810,000

It also showed that the average number of new loans made per bank was 1,049 and the average size of loan was \$1,896; that the average number of loans renewed per bank was 964, and the average renewal was for \$1,283; that the average number of mortgage loans made per bank was 24, and the average mortgage was for \$3,091. The survey also showed that only 33 per cent of the open lines of bank credit was used.

President Hanes announced the national figures in an address before The Graduate School of Banking at Rutgers University the latter part of June. Copies of the address were furnished to the press, including the nationwide news services.

Then began the work of preparing a tailor-made story for each state based on the figures reported by the banks in each state. The Research Council furnished the News Bureau with the figures supplied by the banks of each state on the number of new loans made, the number of loans renewed, the number of new mortgage loans made and the total dollar volume of each; the amount of open lines of credit on the books of banks, and the amount actually used; the average number of new loans, renewed loans, and mortgage loans made per bank; the average size of loan made or renewed; the total dollar amount of loans outstanding on December 31, 1938, June 30, 1939 and December 31, 1939, and the dollar volume of deposits on the same dates.

A story was sent to the country's 10,585 daily, tri-weekly, semi-weekly and weekly newspapers.

In addition, a story was sent to the bureaus of the Associated Press, United Press and International News Service in every state, and to 51 banking journals and to the secretaries of the state bankers associations.

A copy of each state story was sent to all the A.B.A. member banks in every state with a covering letter asking each bank to cooperate by offering the article to its local paper or papers. This mailing went to 12,142 banks. In all, the nationwide publication of the second bank lending activity required almost 35,000 pieces of literature mailed to 23,000 people.

Business Cycles

Colonel LEONARD P. AYRES, Vice-president, Cleveland Trust Company, before THE GRADUATE SCHOOL OF BANKING.

WE have been alternately speeding up and slowing down our production of durable goods for many decades, and so have all the other industrial nations, and it is that uneven production which has caused the wave-like expansions and contractions of business activity which we know as business cycles. These alternate periods of expansion and contraction in the production of durable goods result from decisive changes in the amounts of money being spent for such goods, and those changes in the volumes of purchasing have in normal times largely resulted from decisions made by business enterprises. In recent years, and at present, the changes largely result from variations in government expenditures.

Business cycles result from wave-like expansions and contractions in the production of durable goods. Changes in the amounts of money spent by business enterprises for the purchase of durable goods have resulted from changes in the volumes of sales of new securities which have decreased during bear markets for bonds and stocks, and increased during bull markets. With almost complete regularity during the past 80 years the down-

turns of the security prices at the tops of bull markets, and their upturns from the bottoms of bear markets, have closely followed upturns and downturns in the levels of short-term interest rates.

In bull markets for securities the advances in short-term interest rates have brought about downturns in bond prices which have normally been shortly followed by downturns in stock prices. These declines in security prices have created unfavorable market conditions for floating new securities, and so have resulted in downturns in the volumes of new issues. When the volume of new issues has turned downward the inflow of new funds into productive enterprise has decreased, and a business decline has started. The process at the bottom of the business cycle has been a similar one, but with all the turning movements reversed.

The long wave-like upward fluctuations and downward fluctuations in the levels of short-term interest rates have been mainly caused by the operation of our banking laws and regulations which have controlled the expansions and contractions of bank credit through causing alternate increases and decreases in bank reserves. This means that in the past our business cycles have been caused by the operations of our banking laws and regulations, our business procedures, and the processes of our security markets.

Battlefronts of Banking

RUSSELL G. SMITH, Executive Vice-president, Bank of America N.T. & S.A., San Francisco, before the MONTANA BANKERS ASSOCIATION.

UNQUESTIONABLY the most important of the various battlefronts of banking is that of government competition. It is strongly entrenched, supported as it is by the so-called vested interests of government bureaucracies.

The next front is a threat of government ownership of deposit banking. Fortunately for private enterprise, there is no real demand yet for this departure by the general public. But, if chartered banking fails again to keep its house clean and experiences another 1933, it is morally certain that this country will have government banking only, despite its vices and threat to everything we call American.

Less important and consequently less well known, even in banking circles, is the threat involved in the 100 per cent reserve theory. It, too, is the product of the impractical and inexperienced lucubrations of a disturbing few who reason long but not too well. Their diagnoses of banking's organic troubles, if examined superficially, often sound plausible enough. But the specious character of their prescriptions to remedy all banking disease explodes on careful analysis.

The 100 per cent reserve system is a fallacy, no more and no less. If adopted, it would create greater evils than

it would attempt to correct. Instead of curbing excesses in credit expansion, the historic bane of banking and the cause of most of our booms and succeeding depressions, the 100 per cent reserve system would result in the establishment of the institution of irredeemable paper currency whose wreckage strews the world.

Every Sound Loan

FRANK P. POWERS, President, Kanabec State Bank, Mora, Minnesota, before the MONTANA BANKERS ASSOCIATION.

I BELIEVE it is necessary for us to impress upon our customers and have them thoroughly understand that we are properly equipped and willing to handle every sound loan available in the territory we serve. I also believe the bankers who make the most progress and those who are going to be most successful in the future are those who leave no stone unturned to obtain every legitimate piece of business that is to be had in their respective territories.

One of the principal reasons why so many bankers bitterly complain about competition from governmental agencies and finance companies is because they are trying to operate their institutions in the same manner they did years and years ago, and in many cases they make no effort whatsoever to get away from their desks and contact the people who are in need of banking service.

Banks Pledge Cooperation in U. S. Defense Program

A.B.A. Has New Manual on Bank Clearinghouses Regional Association Setup Is Shown

A regional clearinghouse association organization manual has just been published by the Bank Management Commission of the American Bankers Association.

The manual is the work of the Committee on Clearinghouses and Interbank Relations of which W. A. McDonnell, executive vice-president, Commercial National Bank, Little Rock, Ark., is chairman. It explains thoroughly the setup, functions, procedure and operation of these voluntary cooperative banking groups.

Mr. McDonnell says the goal of bankers should be that "eventually every bank in the United States, however large or small, shall be a member of a local group which, regardless of its name, employs the principle of the clearinghouse."

Robert M. Hanes, Association President, comments:

"Clearinghouse associations are not only necessary but imperative in the serious times which lie ahead. Every banker will need to test his ideas and check his judgment with others. Sound procedure will generally follow an abundance of counsel."

P. D. Houston, First Vice-president of the A.B.A., points out "there never was a time when it was more important for the banks of the country to cooperate, due to the difficulty of profitable operation."

Frank W. Simmonds, Senior Deputy Manager of the Association and secretary of the Bank Management Commiss-

1941 A.I.B. Convention in San Francisco

The 39th annual convention of the American Institute of Banking will be held in San Francisco, June 2-6, 1941, it is announced by J. L. Dart, Institute President. The St. Francis Hotel will be headquarters.

sion, writing the foreword to the manual, says: "For many years the primary purpose of a clearinghouse was the clearance of checks, but today it's the clearance of banking ideas and the solution of banking problems."

The manual explains the organization of a regional clearinghouse, tells what to do at the meetings, and outlines 21 projects for consideration.

Public Relations Bulletins Issued

The Public Relations Council of the American Bankers Association is to issue a bulletin on public relations subjects from time to time.

The first two numbers, which appeared recently, are the initial effort toward informing bankers who are active in public relations about the specific experiences of state bankers associations in school and employee contests.

"This bulletin will be maintained for the active use of men and women interested in working toward better public relations for banks," said W. T. Wilson, Council director.

Bulletin 1 covers public speaking and essay contests in schools, a subject selected because of the recent success of the contest sponsored by the California association. Bulletin 2 is on a contest for bank employees sponsored by the Virginia association.

Normal Channels Can Handle Financing, Hanes Tells Association Membership

Hundreds of telegrams endorsing Robert M. Hanes' statement that financing of the national defense program "can and should be carried on through the normal existing channels without the creation of new agencies, mechanisms or devices" have been received by the A.B.A. head in response to a letter which he sent to all members of the Association.

Mr. Hanes outlined his views on defense financing and asked the banks to telegraph him if they endorsed his opinions.

A.B.A. Slide Films Visualize Forms and Legislative Program

Slide film talks on the A.B.A. program of state legislation and on legal forms for banks have been made before several groups of bankers during the past few months by Thomas B. Paton, Assistant General Counsel of the Association.

Mr. Paton prepared the films as means of visualizing the two important subjects of forms and legislation. They were first shown last April at the Spring Meeting of the A.B.A. Executive Council, and have since been presented before several state associations and committees. Each is supplemented with a talk by Mr. Paton.

The state legislation film explains the program of the A.B.A. Committee on State Legislation, the purpose being to encourage the states to enact all 35 measures on the program and to acquaint bankers with its fundamental objectives.

Legal aspects of bank forms are emphasized in the other film which seeks to arouse states to the need of organizing standard forms committees so as to keep bank forms up to date. The slides show various forms and offer comments thereon; there are accompanying explanations by Mr. Paton.

Showings of the films have been followed by highly favorable comments of bankers and lawyers.

Previously, Mr. Hanes and Harold V. Amberg, president of the Association of Reserve City Bankers, had offered to President Roosevelt the cooperation of bankers in the national defense program.

After meeting Mr. Roosevelt at the White House, Mr. Hanes and Mr. Amberg said in a statement:

"The banks of the country are alert to the fiscal and financial problems involved in the Nation's defense program and give assurances of their readiness to coordinate their efforts and cooperate in the program.

"Private industry, including banking, is better equipped to serve the nation in this emergency than it was in 1917."

In his letter to A.B.A. members, President Hanes asked the banks to "try in every possible way to make every loan that has anything to do with the defense program."

"The Government is launching a huge program for the defense of the United States," Mr. Hanes wrote. "I am sure you have been thinking about how this program is to be financed and how the banker can help. The required financing will take two forms: direct expenditures by the Government financed by the sale of Federal securities, and the financing of business concerns having government contracts.

"My own belief and that of others with whom I have dis-

(Continued on page 102)

Convention Programs Completed for A.B.A. Divisions

Association Groups Plan Meetings; Round Table Speakers Announced

The programs for the annual meetings of the four divisions of the American Bankers Association, to be held during the Atlantic City Convention, Sept. 23-26, have been completed. All four meetings take place Sept. 23 at Haddon Hall, Convention headquarters.

Dr. W. Randolph Burgess, vice-chairman of the board, National City Bank of New York, will address the National Bank Division on "Financing the Defense Program." Dr. Marcus Nadler, professor of finance at New York University, and Melvin Rouff, Division President, will speak on subjects to be announced later.

The State Bank Division will hear William S. Elliott, its President; William A. McDonnell, executive vice-president, Commercial National Bank, Little Rock, Ark., and Dr. William A. Irwin, national educational director, American Institute of Banking. Dr. Irwin will speak on "The System of Free Enterprise—An Answer to its Critics." Mr. McDonnell's topic will be announced.

The Savings Division meeting will be addressed by A. George Gilman, Division President, and Dr. Paul F. Cadman, economist of the A.B.A. The meeting will also see a moving picture produced by the U. S. Chamber of Commerce entitled, "Free Men Make a Nation."

The annual meeting of the Trust Division will be featured by a symposium on "The Job Ahead for Trust Service," participated in by several of the Division's past presidents. These are Gilbert T. Stephenson, director of trust research, The Graduate School of Banking; Leon M. Little, vice-president, New England Trust Company, Boston; Robertson Griswold, vice-president, Maryland Trust Company, Baltimore; and Samuel C. Waugh, executive vice-president and trust officer, The First Trust Company, Lincoln, Neb.; Merrill P. Callaway, Guaranty Trust Co., New York.

Each Division will elect and install new officers.

The program for the general sessions of the Convention was

University Chorus and John Charles Thomas To Sing at Inaugural

The University of Pennsylvania chorus and John Charles Thomas, noted baritone, will sing at the inaugural ceremonies for newly elected officers of the American Bankers Association at the conclusion of the Atlantic City Convention on Thursday evening, Sept. 26.

announced a month ago. It will include a ceremony to honor U. S. Senator Carter Glass for his services to American banking, scheduled for Thursday, Sept. 26, and addresses by Governor Clyde R. Hoey of North Carolina; E. S. Woosley, vice-president, Louisville Trust Company, Louisville, Ky.; and Robert M. Hanes, President of the A.B.A.

Round Table Discussions

On Sept. 24, 25, and 26, there will be a series of round table conferences on new business development, real estate, operating problems, and consumer credit.

At the round table on new business development, Sept. 24, William Powers, A.B.A. director of customer relations, American Bankers Association, will lead a discussion on "The Influence and Value of Bank Staff Contacts." C. W. Bailey, president, First National Bank, Clarksville, Tenn., will lead a discussion on "How to Survey Your Trade Area;" and C. C. Neumann, president of the Nebraska Bankers Association and president of the Farmers and Merchants National Bank, Oakland, Nebraska, will lead a



CONVENTION COMMITTEE

The general Convention committee of the New Jersey Bankers Association, host to the A.B.A. at Atlantic City. *Left to right*, Leslie G. McDonnell, vice-president, Fidelity Union Trust Co., Newark; Carl K. Withers, president, Lincoln National Bank, Newark, chairman; and Armitt H. Coate, secretary of the New Jersey association

discussion on "Liquidity of Loans Made to Farmers."

This round table will be followed by a panel discussion on "New Business Development" participated in by the three leaders and conducted by A. G. Brown, A.B.A. Deputy Manager in charge of the Agricultural Credit Department.

Real Estate Conference

The round table conference on real estate, Sept. 24, will be featured by an "Information Please" type of discussion. Questions will be asked by Dr. Ernest M. Fisher, A.B.A. Director of Research in Mortgage and Real Estate Finance. Questions will be answered by Frederick M. Babcock, assistant administrator, F.H.A., Washington, D. C.; William A. Marcus, vice-president, American Trust Company, San Francisco; Earl B. Schwulst, first vice-president, The Bowery Savings Bank, New York; and William W. Slocum, president, United Savings Bank, Detroit.

At the round table on operating problems, Sept. 25, Ernest S. Woolley, bank analyst, will lead a discussion on "Productive Work Planning." Maurice L. Breidenthal, president, Security National Bank, Kansas City, Kan., will lead a discussion on "Research, Analysis and Budgetary Control as an

Aid to Bank Management;" Louis W. Bishop, cashier, State-Planters Bank and Trust Company, Richmond, Virginia, will lead a discussion on "Greater Efficiency and Increased Earnings Through Simplification of Bank Operating Forms."

At the consumer credit round table, Sept. 26, Kenton R. Cravens, vice-president, Cleveland Trust Company, will speak on "Automobile Finance," and a question and answer panel discussion will be conducted by Walter B. French, A.B.A. Deputy Manager in charge of the Consumer Credit Department. Mr. French will ask the questions and the answers will be given by Mr. Cravens; John H. Lucas, vice-president, Peoples-Pittsburgh Trust Company, Pittsburgh; and George A. MacLachlan, vice-president, National Bank of LaCrosse, LaCrosse, Wisconsin.

The 40th anniversary of the American Institute of Banking will be celebrated at the first general session of the Convention, Sept. 25. At this ceremony Harry R. Smith, recent President of the A.I.B., will introduce the past national presidents and will conduct the installation of Dr. Irwin as national educational director.

The election of new A.B.A. officers will be held on Thursday morning, Sept. 26.

National Conference Group Formed By Trust Division and Bar Association

Formation of a national conference group of representatives from the American Bar Association and the Trust Division of the American Bankers Association was announced by the two associations following a joint meeting in New York.

The group will act as a clearinghouse for suggestions and mutual problems, and will aid in establishing, so far as practicable, a country-wide recognition of principles of cooperation between the bar and trust institutions.

This new group will implement existing local bar associations and local corporate fiduciaries associations in the matters of mutual interest affecting public welfare in the services rendered by attorneys to their clients and by trust institutions to their customers.

The organization is the result of a joint report made by the American Bar Association Committee on the Unauthorized Practice of Law, of which Edwin M. Otterbourg of New York City is chairman, and the Committee on Relations with the Bar of the Trust Division of the American Bankers Association, of which Raymond H. Trott, vice-president, Rhode Island Hospital Trust

Company, Providence, is chairman.

The representatives of the American Bar Association in the conference group are: Mr. Otterbourg, co-chairman; Henry B. Brennan, Savannah, Ga.; Tappan Gregory, Chicago; John D. Randall, Cedar Rapids, Iowa; Sidney Teiser, Portland, Ore.; Frederick Houston, New York, recording secretary.

The representatives of the American Bankers Association are: Mr. Trott, co-chairman; Merrel P. Callaway, vice-president, Guaranty Trust Company of New York; Robertson Griswold, vice-president, Maryland Trust Company, Baltimore; R. M. Alton, vice-president and trust officer, The United States National Bank, Portland, Ore.; Carl H. Weiss, vice-president and general attorney, The Northern Trust Company, Chicago; and Merle E. Selecman, Deputy Manager, American Bankers Association, New York, Secretary.

Cleveland Council

The Life Underwriters Trust Officers Club of Cleveland has changed its name to the Life Insurance Trust Council of Cleveland.

Western Trust Men to Meet This Month

Trends in taxes, investments and public relations will be outstanding subjects discussed at the 18th Regional Trust Conference of the Pacific Coast and Rocky Mountain States to be held in Salt Lake City, Aug. 15-17 under auspices of the A.B.A. Trust Division, according to the program made public by Roland E. Clark, Division President. Mr. Clark is vice-president, National Bank of Commerce, Portland, Me.

The trust division of the Utah Bankers Association is conference host and John M. Wallace, vice-president, Walker Bank and Trust Company of Salt Lake City, is general chairman.

The banquet speaker the opening night will be J. Reuben Clark, former Ambassador to Mexico. Others on the program include Dr. Adam S. Bennion, assistant to the president of the Utah Power & Light Co., Salt Lake City; Henry A. Theis, vice-president, Guaranty Trust Company of New York; Roy H. Booth, assistant trust officer, National Shawmut Bank, Boston; and E. C. Barrett, comptroller, California Institute of Technology, Pasadena.

The closing session will be devoted to a question-box period under the direction of Gilbert T. Stephenson, Director of Trust Research, A.B.A.

Banks Pledge Aid in U. S. Program

(Continued from page 100)

cussed this question is that both sorts of financing can and should be carried out through the normal existing channels, without the creation of new agencies, mechanism or devices. The banks of this country have the resources, the trained personnel and the knowledge of their own communities, which equip them, along with the investment markets, to handle a very large part of the necessary financing. This financing can be carried out in such ways as will enable the banks to provide an adequate volume of loans and at the same time safeguard the funds of their depositors.

"All banks should be actively and energetically soliciting every sound loan in their communities. Especially is it true that they should try in every possible way to make every loan that has anything to do with the defense program."

Insured Commercial Banks

The A.B.A. Bank Management Commission is soon to issue its third annual compilation of earnings and expenses of insured commercial banks, arranged by charter and size classifications for each state.

CONVENTIONS

American Bankers Association

Aug. 15-17 18th Regional Trust Conference of the Pacific Coast and Rocky Mountain States, Salt Lake City, Utah
Sept. 22-26 Annual Convention, Atlantic City, New Jersey
Nov. 7-8 11th Mid-Continent Trust Conference, Chicago.

State Associations

Aug. 26 Nevada, Winnemucca
Sept. 9-11 Iowa, Hotel Fort Des Moines, Des Moines
Oct. 9-11 Kentucky, Louisville
Oct. 24-25 Nebraska, Hotel Lincoln, Lincoln

Other Organizations

Aug. 16-17 Bank Conference of the West Virginia Bankers Association, West Virginia University, Morgantown, Fayetteville
Aug. 19-23 Arkansas Bankers Seminar, University of Arkansas, Fayetteville
Aug. 19-30 Pacific Northwest Banking School, University of Washington, Seattle, Washington
Sept. 2-5 Texas Bankers Conference, University of Texas, Austin
Sept. 5-7 Savings Banks Association of Maine, Rangeley Lake Hotel, Rangeley Lakes, Maine

Sept. 18-20 National Association of Supervisors of State Banks, Richmond, Virginia
Sept. 18-20 National Industrial Advertisers Association, Inc., Hotel Statler, Detroit, Michigan
Sept. 19-21 Association of Bank Women, Atlantic City, New Jersey
Sept. 30, Oct. 1 & 2 Morris Plan Bankers Association, Del Monte Hotel, Del Monte, California
Oct. 2-4 Mortgage Bankers Association of America, Chicago, Illinois
Oct. 2-4 Savings Banks Association of the State of New York, Lake Placid, New York
Oct. 14-18 American Institute of Accountants, Hotel Peabody, Memphis, Tennessee
Oct. 16-19 Annual Convention, National Association of Bank Auditors and Comptrollers, Saint Louis, Missouri
Oct. 28-30 Financial Advertisers Association, The Homestead, Hot Springs, Virginia
Nov. 11-15 U. S. Savings and Loan League, Chicago, Illinois
Dec. 9-10 Southern Conference of Bankers Association Secretaries, Louisville, Kentucky
Dec. 9-13 Investment Bankers Association of America, Hollywood Beach Hotel, Hollywood-by-the-Sea, Florida
Dec. 27-30 American Economic Association, Roosevelt Hotel, New Orleans, Louisiana

IF A BANKER COULD READ HIS PROSPECTIVE BORROWER'S MAIL...



Dear Bill:

You'd never run out on a debt. I know that. But what a pickle my family would be in if I signed your note and then something happened to you!

Can't you find a bank that insures your life when you make a loan? Lots of them do. Then if anything should happen to you (God forbid!) the unpaid amount would be automatically cancelled. I'd be glad to sign as co-maker on a loan like that.

Yours, Jim



THE MORRIS PLAN INSURANCE SOCIETY
420 Lexington Avenue, New York City
Please send a copy of "Increasing Profits from Personal Loans" to
Name _____
Title _____
Bank _____
City _____
Monthly volume of our Personal Loan Dept. is \$ _____

TEAR
HERE

INSURANCE FOR THE BANKER ON THE LIFE OF THE BORROWER... SINCE 1912.

By protecting your borrowers from such refusals, you increase your profits and stimulate the volume of completed loans.

THE MORRIS PLAN INSURANCE SOCIETY

420 LEXINGTON AVENUE, NEW YORK, N. Y.



THE NEW YORK TRUST COMPANY

100 BROADWAY

MADISON AVENUE AND 40TH ST. ONE EAST 57TH ST.

CONDENSED STATEMENT OF CONDITION At the close of business, June 30, 1940

ASSETS

Cash on Hand, and in Federal Reserve and Other Banks	\$214,293,153.59
Exchanges, Collections and Other Cash Items	8,046,802.30
United States Government Obligations—Direct and Guaranteed	181,580,330.18
Other Bonds and Securities	17,917,157.82
Loans, Discounts and Bankers' Acceptances	85,982,992.93
Interest Receivable, Accounts Receivable and Other Assets	2,106,781.71
Real Estate Bonds and Mortgages	4,116,432.84
Customers' Liability for Acceptances	2,454,901.66
Equities in Real Estate	913,163.05
Banking Premises—Equity and Leasehold	2,824,077.32
	<hr/>
	\$520,235,793.40

LIABILITIES

Deposits	\$471,698,086.32
Outstanding and Certified Checks	<u>1,907,147.27</u>
Dividend Payable July 1, 1940	625,000.00
Accounts Payable and Other Liabilities	1,492,123.99
Acceptances	3,012,597.25
Reserve for Contingencies	1,000,000.00
Capital	12,500,000.00
Surplus	25,000,000.00
Undivided Profits	<u>3,000,838.57</u>
	<hr/>
	\$520,235,793.40

United States Government obligations are carried at amortized cost. Government obligations and other securities amounting to \$6,180,669.74 in the above statement are deposited to secure public and trust deposits and for other purposes required by law.

TRUSTEES

MALCOLM P. ALDRICH <i>New York</i>	F. TRUBEE DAVISON <i>President, American Museum of Natural History</i>	HOWARD W. MAXWELL <i>New York</i>
MORTIMER N. BUCKNER <i>Chairman of the Board</i>	RUSSELL H. DUNHAM <i>Chairman of the Board</i> <i>Hercules Powder Company</i>	HARRY T. PETERS <i>New York</i>
JAMES C. COLGATE <i>Jas. B. Colgate & Co.</i>	SAMUEL H. FISHER <i>Litchfield, Conn.</i>	DEAN SAGE <i>Sage, Gray, Todd & Sims</i>
ALFRED A. COOK <i>Cook, Nathan, Lehman & Greenman</i>	ARTEMUS L. GATES <i>President</i>	LOUIS STEWART, SR. <i>New York</i>
WILLIAM F. CUTLER <i>Vice-President</i> <i>American Brake Shoe & Fdy. Co.</i>	WILLIAM HALE HARKNESS <i>New York</i>	VANDERBILT WEBB <i>New York</i>
FRANCIS B. DAVIS, JR. <i>President</i> <i>United States Rubber Company</i>	B. BREWSTER JENNINGS <i>Socony-Vacuum Oil Co., Inc.</i>	MEDLEY G. B. WHELPLEY <i>Guggenheim Bros.</i>

Member of the Federal Deposit Insurance Corporation

